



# **A critical Study of the Role of the U.P. State Cooperative Bank in the develop- ment of Agro-Based Industries of U.P.**

## **ABSTRACT**

Thesis Submitted for the Degree of  
Doctor of Philosophy

IN

**COMMERCE**

BY

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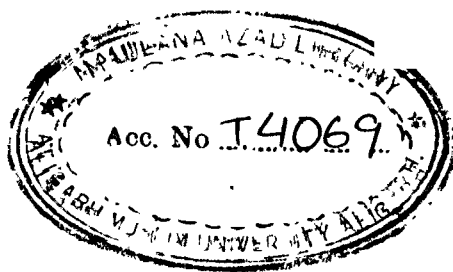
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ALIGARH (INDIA)

1991



23 OCT 1992

## \_A\_B\_S\_T\_R\_A\_C\_T\_

The Cooperative Credit Movement was started in the year 1904. The U.P. State Cooperative Bank was established in 1944. It is the top cooperative credit institution of the Uttar Pradesh and links all the cooperative credit institutions of the State with the Reserve Bank of India and NABARD. This bank has been playing a significant role in the development of agro-based industries in U.P. State.

The main objectives of the present study are as follows :

- 1) To study the origin and growth of Cooperative Credit Movement in Uttar Pradesh.
- 2) To study the working and functions of U.P. State Cooperative Bank.
- 3) To review and analyse the financial resources of U.P. State Cooperative Bank.
- 4) To examine the loan operation of U.P. State Cooperative Bank.

- 5) To study the role of U.P. State Cooperative Bank in the development of Agro-based industries in Uttar Pradesh.
- 6) To suggest appropriate measures for the improvement of the role of U.P. State Cooperative Bank towards Agro-based industries.

The data and the relevant statistics for the study of the U.P. State Cooperative Bank have been collected from different sources. For example, data regarding origin and growth of U.P. State Cooperative Bank, has been gathered from its Annual Reports and the offices of the Registrar, Cooperative Societies, Lucknow.

Use has also been made of the library of the NCUI, New Delhi, Maulana Azad Library, A.M.U., Aligarh, and the Seminar Library of the Department of Commerce, A.M.U., Aligarh.

Cooperatives in rural areas are known as rural cooperatives. Generally, the agriculturists, artisans

and persons of small means are the members of these cooperatives. The main objectives of such societies are to provide loans to their members to procure, agricultural implements, fertilizers, seeds, etc. These societies perform activities to encourage thrift and act as agents for the sale of the produce and products of their members. They also provide information regarding improved farming practices and seeds etc.

There are different types of cooperatives like service cooperatives, primary marketing societies, poultry societies, artisan societies, ginning, pressing and processing societies covering different aspects of the rural economic development. At district level there are Central Cooperative Banks. There are also State Cooperative Banks at State level in the country.

#### ORIGIN OF COOPERATIVE CREDIT MOVEMENT IN U.P.:

As long ago as 1900, a few societies were started in Uttar Pradesh following the recommendations by Mr. Dupernex. He was appointed by the Provincial Government of Uttar Pradesh to study the working of European Cooperative institutions with a view to introduce the system in the

province. Mr. Dupernex advocated the establishment of village cooperative societies based on Raiffeisen principles. He also recommended the establishment of urban banks to act as agencies to organize and finance rural credit societies. An amount of Rs. 1,000/- per society was granted by the government to start societies. There were 200 cooperative societies in U.P. in 1903 and 223 in 1904. The main function of these societies was to collect and distribute advances at low rates of interest for agricultural purposes. The borrowed and owned funds of these societies on an average amounted to Rs.391/- with 76 members per society on average. The Cooperator Act 1904, specifies main objectives to encourage self-help, thrift and cooperation among the agriculturists, artisans and persons of limited means.

#### GROWTH OF COOPERATIVES :

Provincial Cooperator Conferences under the aegis of the Government can be regarded as a very significant milestone in the development of cooperative movement in Uttar Pradesh. The first Conference of Cooperators took place in 1908-9. It involved Registrars, to thrash out

major problems of cooperative societies for an effective programme to strengthen the movement.

The third conference of Registrars found the Cooperative Act, 1904, insufficient for the growing needs of the movement due to the classification of the societies into rural and urban, non-formation of federation or central societies for supervision, control and finance and their inability to meet the requirements of non-credit activities. Consequently, the Cooperative Societies Act of 1912 was passed to remove these defects.

Great care was taken at the time of drafting the Cooperative Societies Act, 1912, due to the previous experience gained through the working of the societies. The defects and shortcomings of the Act of 1904 were removed. However, its main features, viz., simplicity and elasticity were absorbed in the new Act. The formation of societies except credit societies and the formation of central financing agencies, with limited liability, were authorized under this Act.

The societies were classified into societies with limited and unlimited liability instead of rural and urban societies. The division of the societies into rural and urban was abolished by the Act of 1912.

To examine the working of cooperative movement and suggest measures for improvement, the Government appointed the Maclagan Committee in 1914. It submitted its report in 1915. It emphasized the need for inspiring confidence among investing public. It recommended the measures for proper management of cooperative societies. It included audit, and efficient system of financial control and supervise to eliminate altogether the financial management and embezzlements.

The question of starting such a bank in U.P. was considered by a committee appointed in 1917, which recommended the establishment of a State Cooperative Bank and submitted a scheme for the purpose. This scheme was approved by the provincial Cooperative conference. But no action was taken in this direction.



The Oakden Committee of 1925 also recommended the establishment of an Apex Bank in Uttar Pradesh. But no serious attention was paid to the question till the establishment of the Reserve Bank of India with a Special Agricultural Credit Department to help and guide the cooperative movement in the country. The Government of the State of Uttar Pradesh discussed the matter with the Reserve Bank of India. The RBI approved the plan of the provincial Government to establish the apex cooperative bank. Ultimately, the U.P. Cooperative Bank Limited was brought into existence on 20-11-1944.

The aims of the Banks are to act as a balancing centre for the cooperative institutions of Uttar Pradesh, to mobilize funds by means of accepting deposits on current savings bank account and fixed deposits etc. It is allowed to raise loan from time to time. Also to grant loan to its ordinary members without security or rotationary or fixed capital or ownership bond.

According to the bye-laws of U.P. Cooperative Bank Limited, Lucknow, the management of the affairs of the Bank vests in the following bodies and officers.

- a) The General Body
- b) The Board of Directors
- c) The Executive Committee
- d) The Chairman/Vice-Chairman
- e) The Secretary.

The following are the sources of U.P. State Cooperative Bank Limited, Lucknow for raising its working capital.

- 1) Share capital
- 2) Deposits from members and non-members
- 3) Borrowings
- 4) Reserves
- 5) Government Grants.

The sources play a very important role in building up the working capital of the bank. Besides, these sources, the bank also receives amount from entrance fees, transfer fees and other miscellaneous items. The bank is geared up to mobilize local deposits and to minimize outside borrowings.

During the year 1970-71, the total share capital of U.P. Cooperative Bank was Rs. 442.21 lakhs having a contribution of Rs. 47.20, Rs. 358.27 and Rs. 36.74 lakhs from the State Government, District/Central Cooperative Banks and other societies respectively. It increased to Rs. 457.27 lakhs in the next year i.e. 1971-72. The share capital of State Cooperative Bank increased to Rs. 1848.50, Rs. 1958.29, Rs. 2000.23 and Rs. 2143.11 lakhs during the years 1984-85, 1985-86, 1986-87 and 1987-88 respectively. The share capital of the bank amounted to Rs. 2466.97 lakhs in 1988-89. It further increased to Rs. 2686.52 lakhs during the year 1989-90. The growth in the capital of the U.P. State Cooperative Bank has been satisfactory.

The borrowings of Uttar Pradesh Cooperative Bank Limited, Lucknow, was Rs. 2944.89 lakhs during the year 1970-71. During the year 1988-89, the borrowings of the bank increased to Rs. 41279.23 lakhs. The total borrowings of the Bank amounted to Rs. 43871 lakhs during the year.

The Bank invests its surplus funds in the Central, State Governments and other trustee securities and shares

of Cooperative and other Institutions. The Bank also keeps a certain portion of its resources as ready cash and in the form of liquid assets to fulfil its obligations towards its depositors. But an excessive liquidity will be a drain on the profits of the bank hence it has to strike a balance between liquidity and profitability. The Bank holds substantial investments. For instance, the Bank invested Rs. 17748.49/<sup>lakhs</sup> in different types of securities and institutions during 1989-90.

The bank advances loans to members of the Bank only, but it can also advance loans to non-members under special circumstances, with the prior permission of authority for the purpose, on the basis of their securities. Loan is granted from time to time on fixed terms and conditions. Such loan is recovered in instalments keeping in view the credit worthiness of the borrower and the objects of the loan. No instalments are fixed for the loans given on cash credit and the recovery of the loans made on the basis decided at the time of advancement of the loan.

The rate of interest is charged from the debtor on advances and overdrafts according to rules decided from time to time by the Board of Directors of Bank. In case of delay in repayment of loans, 3 per cent extra interest can be charged on the balance amount of loans. The refund of the interest is half-yearly. The amount of the loans to a society is determined in terms of ratio which the shares held by the borrowing society bears to the Capital of the Bank. The ratio of shareholdings to Capital of bank is decided by the Board.

The industrial finance comprises (a) Internal saving of industry (b) Direct participation of the public in industrial securities and (c) Loans and investments provided by intermediary financial institutions such as trusts and Banks. Following are the important financial institutions which are helping in the development of industries including agro-based industries in U.P.

- 1) Industrial Finance Corporation of India
- 2) Reserve Bank of India
- 3) Industrial Development Bank of India

- 4) State Bank of India
- 5) Commercial Banks
- 6) National Small Scale Industries Corporation
- 7) National Industrial Development Corporation
- 8) National Cooperative Development Corporation
- 9) Agriculture Refinance Corporation
- 10) Khadi and Village Industries
- 11) State Financial Corporation
- 12) State Industrial Development Corporation
- 13) Agro-Industrial Corporation
- 14) Cooperative Banks
- 15) Other Institutions.

The U.P. State Cooperative Bank has been playing the catalytic role in financing agro-based industries in the State. The Bank sanctioned loans of Rs. 228.10 lakhs during the year 1972-73 to cooperative sector out of total loans of Rs. 6904.32 lakhs. It constitutes 3.30 per cent of the total. The Bank provided loans of Rs. 50.88 lakhs was distributed against above sanctioned limit to 13 cooperative unions to instal cold-storages, rice, dal and oil Mills.

The bank further sanctioned a limit of Rs.220.10 lakhs during the next year i.e. 1973-74 for the same purpose. But only 15 cooperative unions received the loans of Rs. 69.54 lakhs out of above sanctioned limit. The sanctioned limit for agro-based industries was 3 per cent of total loan sanctioned during the period.

During 1974-75, an amount of Rs. 99.20 lakhs out of sanctioned limit for Rs. 214.79 lakhs was distributed to 20 cooperative unions for expansion of rice, dal and oil Mills by the bank on behalf of National Cooperative Development Corporation. The bank sanctioned a total of Rs. 8292.83 lakhs in the shape of loans during the year. The above sanctioned limit for agro-based industries was 2.59 per cent of the total loan sanctioned.

The U.P. Cooperative Bank Limited, Lucknow sanctioned a limit of Rs. 3636.00 lakhs for 12 agro-based industries of Uttar Pradesh during the year 1977-78 but these industries used only an amount of Rs. 2681.47 lakhs against sanctioned limit for the year.

The Bank also sanctioned an amount of Rs. 259.59 lakhs to agro-based industries under National Cooperative Development Corporation (NCDC) Scheme to 33 industries during the year. The bank also provided loans to 26 cooperative sugar mills amounting to Rs. 6090.08 lakhs and Rs. 217.23 lakhs for other 34 agro-based industries. In this way the bank provided a total loan of Rs. 6307.31 lakhs for the development and installation of about 60 agro-based industries during the period in the State.

The U.P. State Cooperative Bank provided a sum of Rs. 10401.84 lakhs for agro-based industries and allied servicing centres during the year 1986-87, while the total loan distributed during the year was Rs. 54694.17 lakhs. The loan provided to agro-based industries was about 19.01 per cent of total loan provided by the bank for different purposes. However, it was about 12.79 per cent last year and increased about 6.22 per cent this year as compared to the previous year. The figure includes 25 sugar cooperative mills and 32 other agro-based industries including 5 sugar cooperative mills which are provided loans through District Central Cooperative Banks.



The U.P. State Cooperative Bank provided loan of Rs. 59443.26 lakhs for various purposes during the year 1987-88 and disbursed a sum of Rs. 10153.77 lakhs to agro-based industries out of above figure. These industries include 31 sugar cooperative mills including 5 such sugar mills which are provided loans through District Central Cooperative Banks, 40 cold-storages and 2 ice-mills. The amount of loan disbursed to these industries is about 17.08 per cent of total loan sanctioned during the period.

The U.P. State Cooperative Bank Limited, Lucknow provided loan of Rs. 76,541.94 lakhs for different purposes and a sum of Rs. 11,008.14 lakhs out of above amount was for development and installation of agro-based industries and its allied servicing centres during the year 1988-89 as against an amount of Rs. 10,153.77 lakhs of previous year. The amount provided to agro-based industries was 14.38 per cent of total loans provided during the year. There was an increase of Rs. 854.37 lakhs over the provision of last year. The above amount was provided to 52 units including 35 sugar mills, 14 cold storages, 01 oil mill, 01 rice mill and 01 ice cum dal mill.

The amount of loans provided during the year 1989-90 to agro-based industries by U.P. State Cooperative Bank Limited, Lucknow further increased and reached to Rs. 12550.26 lakhs which has an additional share of Rs. 1542.12 lakhs out of total amount of loans i.e. Rs. 86773.89 lakhs which has an additional share of Rs. 1542.12 lakhs over and above the amount provided for the purposes during the previous year i.e. 1988-89 and comes to 14.46 per cent of total loan provided during the year. This amount was provided to 42 sugar mills and one oil mill. In this way the bank has been paying significant role in financing agro-based industries and it is hoped that if this bank provides more financial patronage to agro-based industries to long cherished dream of upliftment of rural areas can be achieved.

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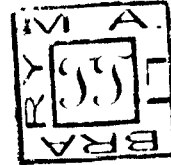
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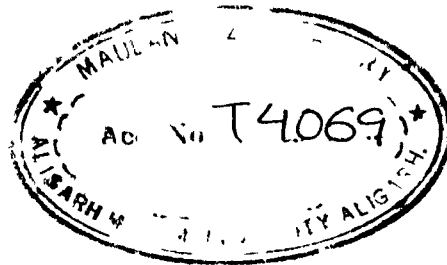
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This is to certify that Mr. Mohd. Riaz Khan has completed his thesis entitled "A Critical Study of the Role of the U.P. State Cooperative Bank in the development of Agro-based Industries of U.P." under my supervision and guidance. It is his own work and to the best of my knowledge it has not been submitted for the award of any degree in this University or anywhere else.

I am satisfied with the efforts made by him in this connection.

ALIGARH

Dated: 26.11.1991

  
( MAHFOOZUR RAHMAN )

## C O N T E N T S

### ACKNOWLEDGEMENT

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## \_A\_C\_K\_N\_O\_W\_L\_E\_D\_G\_E\_M\_E\_N\_T\_

I have the proud privilege to express sincere gratitude for my supervisor, Professor Mahfoozur Rahman, for his invaluable guidance, inspiration and encouragement without which the present work could not have been completed. His academic alertness, sense of perfection and precision helped me in finishing the present study well in time.

I am extremely thankful to Prof. Samiuddin, an eminent scholar in the field of cooperation, Chairman, Department of Commerce and Dean Faculty of Commerce, Aligarh Muslim University, Aligarh for giving me necessary help time to time and making a number of valuable suggestions relating to this study.

Prof. Abdul Farooq Khan, Department of Commerce, Aligarh Muslim University has inspired and encouraged me and for this I am deeply grateful to him.

I am greatly obliged to Dr. Ziauddin Khairuwala, Dr. Sibghatullah Farooqui, Dr. Hifzur Rehman, Readers

Department of Commerce, Aligarh Muslim University for their assistance they provided from time to time during the course of my work.

I am also deeply indebted to the staff of U.P. Cooperative Bank Limited, Lucknow and the staff of the NABARD and NCUI, New Delhi, who helped me greatly by providing data essential for completion of this study.

I would also like to express my feeling of gratefulness to my respected mother, Mrs. Bilquis Fatima, Dr.(Mrs.) Salma Mahfooz and my wife, Mrs Shahin Riaz, Waliuz Zama Khan, M. Ayaz Siddiqui for their inspiration which was a great source of sustenance to me in the completion of this work.

In the end, I would like to thank Mr.Mohd.Akhlaque who took utmost pains and care in typing this thesis in the shortest possible time.



( MOHD. RIAZ KHAN )



## \_P\_R\_E\_F\_A\_C\_E\_

The cooperative credit movement was started in the year 1904. The U.P. State Cooperative Bank was established in 1944. It is the top cooperative credit institution of the Uttar Pradesh and links all the cooperative credit institutions of the State with the Reserve Bank of India and NABARD. This bank has been playing a significant role in the development of agro-based industries in U.P. State.

### OBJECTIVES OF THE STUDY:

The main objectives of the present study are as follows:

- 1) To study the origin and growth of cooperative credit movement in Uttar Pradesh.
- 2) To study the working and functions of U.P. State Cooperative Bank.
- 3) To review and analysis the financial resources of U.P. State Cooperative Bank.
- 4) To examine the loan operation of U.P. State Cooperative Bank.
- 5) To study the role of U.P. State Cooperative Bank in the development of Agro-based industries in Uttar Pradesh.

- 6) To suggest appropriate measures for the improvement of the role of U.P. State Cooperative Bank towards Agro-based - industries.

### METHODOLOGY

The data and the relevant statistics for the study of the U.P. State Cooperative Bank have been collected from different sources. For example, data regarding origin and growth of U.P. State Cooperative Bank, has been gathered from its annual reports and the offices of the Registrar, Cooperative Societies, Lucknow. Information regarding cooperative credit institutions in U.P. has been collected from various reports of the U.P. Cooperative Union, Lucknow. Annual progress reports of the U.P. State Cooperative Bank have been used.

Use has also been made of the library of the NCUI, New Delhi, Maulana Azad Library, A.M.U., Aligarh, and the Seminar Library of the Department of Commerce, A.M.U., Aligarh.

### FRAMEWORK:

The entire study has been presented in six chapters. The first chapter gives an extensive profile of growth and development of cooperative credit movement with reference to U.P. It has been pointed out that the movement was started in 1904 as cooperative credit movement.

The second chapter deals with origin and growth of the U.P. State Cooperative Bank. The Bank was established in 1944 and now has twenty-seven branches in the State. It is observed that the Bank is working satisfactorily.

The third chapter deals with the management system of the Bank, which comprises the General Body and Board of Directors and a Committee of Management. It has been pointed out that elected leadership plays a positive role in responding to the local needs of agriculture, branch expansion, deposit mobilization and recovery of loans.

The fourth chapter presents a detailed study of the financial resources of the Bank. It has been observed that the Bank has sufficient working capital which shows an upward trend.

The fifth chapter discusses the loan operation of the Bank. The Bank provides short-term and medium-term loans to the District/Central Cooperative Banks and affiliated societies. It has been pointed out that the advances have been increased tremendously between 1971-72 and 1989-90.

The sixth and the last chapter relates to the role of U.P. State Cooperative Bank Limited, Lucknow in the development of agro-based industries of U.P. and it has been concluded that the Bank has been playing significant role in financing agro-based industries in U.P.

## C H A P T E R - I

### ORIGIN AND GROWTH OF COOPERATIVE CREDIT MOVEMENT WITH REFERENCE TO UTTAR PRADESH - AN OVER VIEW.

#### INTRODUCTION:

Cooperation was officially introduced in India in 1904 mainly as defensive mechanism for dealing with the problems of rural indebtedness. After Independence it has become a dynamic economic instrument for achieving the socio-economic objectives of the nation.

Cooperatives functioning in rural areas are known as rural cooperatives. Generally, the agriculturists, artisans and persons of small means acquire membership of these cooperatives. The main objectives of such societies are to provide loans to their members to meet their agricultural requirements like, agricultural implements, fertilizers, seeds etc. These societies encourage thrift and act as agents for the sale of the produce and products of their members. They also provide information regarding improved farming practices and seeds etc. There are different types of cooperatives like service cooperatives, primary marketing societies, poultry societies, artisans societies, ginning, pressing and processing societies

covering different sections of the rural masses and helping them in their socio-economic development.

#### ORIGIN OF COOPERATIVE CREDIT MOVEMENT IN U.P.:

A few societies were started in Uttar Pradesh in 1900 on an experimental measure as per guidelines suggested by Mr. Dupernex who was appointed by the Provincial Government of U.P. to study the working of cooperative institutions in Europe with a view to introducing the system in the province.<sup>1</sup> Mr. Dupernex advocated the establishment of village cooperative societies based on Raiffeisen principles. He also recommended the establishment of urban banks to act as agencies to organize and finance rural credit societies. An amount of Rs. 1,000/- per society was granted by the government to start these societies. As a result, 200 cooperative societies were established in U.P. till 1903 and their number rose to 223 in 1904. The main function of these societies was to collect and distribute advances at low rates of interest for agricultural purposes. The borrowed and owned funds of these societies on an average amounted to Rs. 391/- and their average membership was 76 per society.

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1. Henry, W. Wolff, Cooperation in India (1927), p.129

The loans were provided by the societies at low rates of interest; but it was very difficult for the societies to continue with low rates of interest as advances to them were granted at higher rates. Consequently, the rates of interest were also increased by the societies. Due to the increase of rates of interest, the societies lost the confidence of people and created a bad impression on them. As a result of this, most of the societies failed in 1904. Meanwhile, the Indian Famine Commission of 1901 strongly advocated the formation of agricultural banks on the lines of mutual credit associations of Europe. Lord Curzon, the then Viceroy, appointed a Committee under Sir Edward Low to examine the working of the existing pioneer societies and to suggest lines on which a comprehensive legislation might be introduced. On the basis of the findings and recommendations of this Committee, the Cooperative Societies Act was passed by the government in 1904.<sup>1</sup>

The appointment of first Registrar, Cooperative Credit Societies was approved on 3rd November, 1904 just after the passing of Cooperative Societies Act, 1904. The

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1. Op.cit.,

draft of cooperative bye-laws was prepared by the Registrar. The main objectives of these bye-laws were to encourage self help, thrift and cooperation among the agriculturists, artisans and persons of limited means.<sup>1</sup>

#### GROWTH OF COOPERATIVES

It can be said that a landmark in the growth of cooperative movement in Uttar Pradesh was the starting of provincial conferences of cooperators. The conference of cooperators held during the year 1908-09 was the first one of such a nature. The people were provided a common platform to discuss the main problems in the conferences.

The third conference of Registrars was held in 1908 for amendments to the 1904 Act, as this Act was found insufficient to cover the growing needs of the movement due to the classification of the societies into rural and urban, non-formation of federation or central societies for supervision, control and finance and their inability to meet the requirements of non-credit activities. Consequently, the Cooperative Societies Act of 1912 was passed to remove these defects.<sup>2</sup>

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1. For details please see Appendix 'A'
  2. Rahman, M., Genesis of Agricultural Cooperative Credit Societies in India, Book Rays Publishers, New Delhi, 1977, p.2

COOPERATIVE SOCIETIES ACT 1912:

Great care was taken at the time of drafting the Cooperative Societies Act, 1912, due to the previous experience gained through the working of the societies. The defects and shortcomings of the Act of 1904 were removed. However, its main features, viz., simplicity and elasticity were absorbed in the new Act. The formation of societies except credit societies and the formation of central financing agencies with limited liability were authorised under this Act.

The societies were classified as of limited and unlimited liability instead of rural and urban societies and the division of the societies into rural and urban was abolished by the Act of 1912.<sup>1</sup>

MACLAGAN COMMITTEE 1914:

The Government was watching the progress of the movement keenly. To examine whether it was developing on sound lines and to suggest measures for further improvement, the Government appointed the MacLagan Committee in 1914. It submitted its report in 1915. It emphasized the need for thorough audit and supervision of the societies in order to prevent mismanagement and embezzlement and to inspire confidence in the investing public.

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1. Report of Committee on Cooperation in India (1912), p.4



The Committee<sup>1</sup> remarked: "We regret to say that the conclusion has been forced upon us that in the majority of cases primary societies in India fall short of the cooperative ideal. Speaking generally, even allowing for the backwardness of the population, there has been found a lack of true cooperation."

STANDING COMMITTEE OF COOPERATORS IN U.P. 1919:

An Act was passed for the third time in 1919. After this the movement received great attention of the people in India. As a result, different types of cooperative societies were started in Uttar Pradesh. Cooperatives progressed greatly as a result of the new Act. A Standing Committee of cooperators was formed in U.P. in 1919 comprising twenty members, 14 of whom were to be elected by the Central Bank, 5 members to be nominated by the Registrar of Cooperative Societies of the Province and one member to be elected from independent societies.<sup>2</sup> The Registrar and Deputy Registrar of cooperative societies were to be its President and Vice-President respectively and there was to be one Vice-President who was a non-official. The functions of this Standing Committee were to help cooperative institutions in the development of movement in the province and to provide

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1. MacLagan Committee Report, 1915.

2. Rahman, M., Genesis of Agricultural Cooperative Credit Societies in India, Book Rays Publishers, New Delhi, 1977, p.3

guidance for better institutions were advised by this Committee on solving different types of problems referred to it.

COOPERATIVES CONFERENCE IN 1921 :

In 1921 a Conference of U.P. Cooperatives was convened for improvement of industrial cooperative societies. This Conference observed that the central cooperative institutions were the most useful agencies for looking after industrial cooperative societies. Therefore, it was recommended that special attention be paid by central banks to small industries for their betterment.

NINE MAN COMMITTEE 1925 :

A nine man Committee was appointed by U.P. Government in 1925 under Presidentship of Oakden, I.C.S., including prominent non-official in order to investigate the reasons why cooperatives failed to win the confidence of the public and to prepare guidelines for improving the working, supervision, control, audit and better financing of the cooperatives. The report was submitted finally in March, 1926 by the Committee. Most of the recommendations of this Committee relating to the organizational working, management, supervision and audit of cooperative societies were accepted by the Government of U.P., vide Resolution dated 16th September, 1926.<sup>1</sup>

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1. Future of the Cooperative Movement in India, p.9

ROYAL COMMISSION ON AGRICULTURE, 1928 :

In 1928, the Royal Commission on Agriculture was set up. It examined the problems relating to agriculture and stressed the need of cooperation for implementing the programmes of agricultural development. Emphasizing the important role of cooperation, the Royal Commission aptly remarked: "If cooperation fails, there will fail the best hope of rural India."<sup>1</sup>

In 1929, prices of agricultural goods declined due to depression. As a result the income of the agriculturists also decreased. The Government sanctioned loans on a large scale to the agriculturists to meet their needs through cooperative societies during depression period. Thus, the overdues of the societies mounted up, resulting in their liquidation in certain areas. However, cooperative societies made much progress after the period of depression as the programme of rehabilitation and reconstruction was started by the Government and cooperative sectors and the first Land Mortgage Society on limited liability basis was started in the year 1929-30 at Saidpur in Ghaziabad district just to judge its future prospects. The Land Mortgage Society could not achieve the aim for which it was insti-

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1. Government of India, Report of Royal Commission on Indian Agriculture, 1928, p.450.

tuted as it was provided loans from central cooperative Banks of the district at a very late stage. Four more societies of this nature were established in the year 1933-34, at Gorakhpur, Jalaun, Faizabad and Jaunpur.

Small business transactions were undertaken by those societies due to the paucity of funds at their command. The above mentioned five societies continued to run their business till the end of 1938.

In 1935, the Government established the Reserve Bank of India and the Agricultural Credit Department was instituted specially to study the problems of agricultural credit and provide financial help to cooperative societies.<sup>1</sup>

During the period 1939-50, the prices of agricultural commodities increased due to World War II. Due to the high prices, the overdues of the loans distributed during the depression, were totally cleared off and demands for loans decreased to a great extent. To introduce food rationing as a result of the war, a number of consumer cooperative societies were established by the Government

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1. Niyogi, J.P., The Cooperative Movement in India, 1939-40, RBI, p.7

for distribution of the goods required for providing essential goods to their members, as well as non-members. This period also saw the establishment of multipurpose societies for credit and supply of essential consumer commodities.

14THE CONFERENCE OF THE REGISTRARS OF THE COOP.SOCIETIES, 1944:

On the recommendation of the 14th conference of the Registrars of Cooperative Societies (1944), the Government of India appointed in 1945 a twelve man Committee under the Chairmanship of Shri R.G. Saraiya.<sup>1</sup> The Committee was asked to draw up a plan for cooperative development. A comprehensive report was submitted by the Committee in 1946. The chief recommendations of the Committee were that besides the supply of credit to agriculturists, activities of the primary credit societies should be so diversified as to cover the whole of their lives, and that the societies should be revitalised so as to serve as centres for the general upliftment of the members.<sup>2</sup>

GADGIL COMMITTEE, 1947:

The recommendations of the Gadgil Committee and the Cooperative Planning Committees were considered at the 15th conference of the Registrars of Cooperative Societies

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1. Report of Agricultural Finance Sub-Committee(1945), p.47.
  2. Report of the Cooperative Planning Committee (1946), pp.218-27.

held in 1947 at Madras. It did not favour the establishment of Agricultural Credit Corporation on the ground that the work of proposed corporation could be done by provincial cooperative Banks. The conference gave top priority to cooperative marketing. Greater attention was given to the development of cooperative activities in Uttar Pradesh after Independence.

#### COOPERATIVE MOVEMENT DURING PLANS :

Since the attainment of the Independence, the cooperative movement has been making rapid progress in various directions. Further, the cooperation has been assigned an important role in the country's plans. The cooperative Planning Committee has started, "The cooperative society has an important role to play as the most suitable medium for the democratisation of economic planning. Recognising the cooperative form of organization as an indispensable instrument of planned economic action in a democracy, the first five year plan clearly expressed preference for the cooperative organization of the economic activities of the peoples, especially in regard to agriculture, marketing, cottage and processing industries and internal trade, which formed the most important part of the developmental schemes included in the plan.

The plan endorsed the recommendation of the cooperative planning committee to set a target to cover 50 per cent of India's villages and 30 per cent of rural population in ten years. It was envisaged that by 1955-56 the credit supplied by the cooperative movement and Government agencies together for agricultural production should reach the level of Rs.135 crores per annum (Rs.100 crores as short-term, Rs.25 crores as medium-term and Rs.10 crores as long-term loans). The loan operations of cooperatives as well as State Governments increased during the plan, of the former to an annual level of Rs.53 crores and of the latter to Rs.27 crores, but actual results were considerably short of the targets indicated in the plan. The main reasons for this short-fall lay in the fact that the cooperative movement was not sufficiently broad-based and arrangements for credit were not linked generally with programmes for increasing agricultural production and with schemes of cooperatives marketing of agricultural produce.<sup>1</sup> The system of advancing short-term loans with reference to the anticipated crops and production programmes was also not developed.

The second Plan was avowedly committed to the building up of the cooperative sector. The cooperative sector provides

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1. First Five Year Plan, p.163.

scope for both individual as well as social ownership through voluntary action. In this sector, there is hardly any room for exploitation.<sup>1</sup> The cooperation was assigned an important role in the second Five Year Plan. In the cooperative field the targets of the Second Five Year Plan were no doubt spectacular. The membership of cooperative credit societies was to be raised from 5 million to 15 million. The targets of cooperative credit was to be raised from the prevailing 43 crores to 255 crores, i.e. short-term Rs.150 crores, medium term Rs. 50 crores and long-term Rs.25 crores, 1800 primary marketing societies, 35 sugar factories, 48 cotton-gins, 118 other processing societies were to be organised. There were to be another 350 ware-houses of central and State organizations, 1500 godowns or marketing societies and 4000 godowns of large sized societies. The Draft out-line of India's Third Five Year Plan, issued in June, 1960, stated that the programmes under this plan are worked out in terms of the resolution of the National Development Council on Cooperative Policy at New Delhi in November, 1958, it reiterated the need for flexibility in organization. Further expansion was envisaged in the programme leading to a cooperative membership of 40 million covering 55 per cent of the rural population and as much as 74 per cent of the agricultural population.

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1. Ministry of Community Development, Panchayati Raj and Cooperation, Sahkari Samaj (1962).



The Third Five Year Plan considers cooperation as a vital factor for social stability and economic growth and visualises wider dimensions for it in the country.

In the Third Five Year Plan, an important place was given to cooperation as a major form of organization in many branches of economic activity, especially in the agriculture, small industry marketing and processing and distribution and supplies.<sup>1</sup> The main schemes of cooperative development in the plan; therefore relates to the rebuilding and strengthening of the cooperative credit structure in regard to resources, personnel and procedure; building up an efficient structure for the cooperative marketing and processing in conjunction with cooperative credit; provision of godowns for cooperative societies, organization of consumer cooperative stores; development of industrial cooperative societies and the banks and of the cooperative departments; and making suitable arrangements for training and education in cooperation. Serious efforts were made to develop the movement as an integrated whole both in the second and the third plans. As a result, the movement diversified itself rapidly. There has been a sizeable growth of cooperatives

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1. Report of the Third Indian Cooperative Congress, All India Cooperation Union (1958), p.15.

in the sphere of marketing industry, housing, consumer, farming etc.<sup>1</sup>

Significant progress was registered in the field of marketing and processing of agricultural produce by cooperatives. The value of agricultural produce marketed during 1965-66 was Rs. 360 crores as against Rs.175 crores in 1961-62. The cooperative societies distributed consumer articles worth Rs.194 crores during 1965-66 as against Rs.35 crores in 1960-61. Similarly, the value of agricultural inputs supplied by them also registered an increase from Rs.40.47 crores in 1961-62 to 120 crores in 1965-66.

In non-agricultural sector too, cooperatives have shown a significant diversification. Urban consumer stores recorded significant progress during the period. In the wake of devaluation, the programme was accelerated to open new consumer stores and strengthening the existing structures so that the essential consumer goods could be made available at fair prices. During 1965-66, 80 new whole-sale stores with a network of about 1000 primary stores/branches and 25 department stores in the metropolitan and big towns were functioning.

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1. Hough, E.M., Co-Operative Movement in India (1959), pp.XIII & XXIV

The sales turnover of the stores under the centrally sponsored scheme during 1966 amounted to Rs.160 crores. The daily sales turnover of the department stores exceeded Rs. 5 lakhs.

As a result of the various steps taken by the Government to sponsor and strengthen cooperatives for weaker sections of the community, various cooperative societies have also come into existence. In 1963-64 there were 5,052 milk cooperatives with 3,48,316 members; 2912 fisher-men cooperatives with 2,95,705 members; 1017 labour societies with 9,87,39 members and 9,885 housing cooperatives of various types. In 1964-65, there were 4,000 labour contract and construction cooperatives with a local membership of 2,078 lakhs. In the same year, the number of industrial cooperatives was about 51,000 with a value of sales of Rs.117 crores. About 50 per cent of the handlooms in the country are in the cooperative sector.

During the Fourth Five Year Plan, if we look at the major targets we see that the annual plan for 1967-68 hoped to achieve a total membership of 40 million primary agricultural cooperative credit societies by the end of June, 1968. The main plank of the new strategy is the high yielding

varieties programme which (according to the report of Reserve Bank of India on the cooperatives) was initiated from the kharif season of 1956. This programme had good result but was inhibited because of an inadequate response from the cooperatives. Despite the reorganization of the cooperative credit institution since the second five year plan through State participation and assistance from the Reserve Bank of India and Central Government the credit structure in most of the States of India continued to be weak.

The All India Rural Credit Review Committee, which was constituted by the Reserve Bank of India in 1966, was also active. In reports made in February and July, 1969, it recommended, among other things, the establishment of a statutory Agricultural Credit Board in the Reserve Bank of India, the setting up of a Small Farmer's Development Agency in selected districts, a Rural Electrification Corporation, the expansion of the role of the Agricultural Refinance Corporation and measure for the flow of adequate and timely credit for agriculture.

In the Fifth Plan the objectives was to consolidate and strengthen the network of agricultural cooperatives in

aid of sustained agricultural development, making consumer's cooperatives more viable, correcting regional imbalances, and focussing the activities of the cooperatives more and more on small and marginal farmers and weaker sections of the population.<sup>1</sup> In October, 1974, the Department of Civil Supplies and Cooperation was created in the Ministry of Industry and Civil Supplies. The primary objective is to coordinate and assist multi-pronged action on state government levels and the Union Ministries to ensure the production and distribution of essential commodities and to combat inflation.

One of the primary objectives of Government policy during fifth plan was not only to increase the production of essential consumer goods, but also to make them available to people at reasonable prices. There were nearly 66,000 cooperative retail outlets for distribution of consumer goods in urban and rural areas. Another development during this period has been in the hostels of Universities and degree colleges. Cooperatives are supplying essential consumer goods to about 3,000 hostels covering nearly 2.4 lakh students.

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1. Samiuddin & Rahman, M., Cooperative Sectors in India, S.Chand & Co., New Delhi, 1983, p.65.

To broaden the financial base of consumer cooperatives the Central Government provided, during 1975-76, special assistance of Rs.4.55 crores to the State Governments for contributing to the share capital of consumer cooperatives.<sup>1</sup> The National Cooperative Development Corporation has also formulated a scheme for assisting expansion of consumer cooperative activities in rural areas through marketing and service cooperatives.

While the overall progress of cooperative movement appears striking, there are wide regional disparities. The level of development of agricultural cooperatives is not uniform in all states. A number of schemes have been evolved with financial assistance from the Central Government for accelerating the growth of agricultural cooperatives in the cooperatively underdeveloped states.

The value of agricultural produce handled by the cooperatives increased from about Rs.175 crores in 1961-62 to about Rs.1,215 crores in 1974-75. During the same period the value of chemical fertilizers distributed by the cooperatives increased from Rs.32 crores to Rs.617 crores in 1974-75.

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1. Op.cit., p.70.

The share of cooperatives in the total production of sugar rose from 1.5 per cent in 1955-56 to 44 per cent in 1974-75. It is expected to go up to 50 per cent by the end of the Fifth Plan.<sup>1</sup>

The cooperative marketing structure consists of about 2,800 primary cooperative marketing societies covering all important agricultural markets in the country, 20 states cooperative marketing federations and one National Agricultural Cooperative Marketing Federation. The total value of agricultural produce handled by such cooperatives increased from Rs.175 crores in 1961-62 to over Rs.580 crores in 1968-69 and to about Rs.1,216 crores in 1974-75. The value of food-grains handled by cooperative increased from about Rs.220 crores in 1968-69 to about Rs.335 crores in 1973-74. In 1974-75 the Federation's turnover stood at over Rs.58 crores as against Rs.7.64 crores in 1970-71.<sup>2</sup>

The structure of processing units established in the cooperative sector conforms to two district patterns, namely, units established by independent processing societies. Under

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1. Article of M. Rahman & M. Riaz Khan, Recent Trends in Cooperative Movement, The Cooperator, New Delhi, Vol.XXVII No.1, July 1, 1989, p.3.

2. Op.cit., p.3

the first category fall the larger unit such as sugar factories, solvent extraction plants and spinning mills. Medium and small units such as rice mills, oil mills, jute baling units, cotton ginning and pressing units mostly fall under the second category. Of the 1,962 processing units organised at the end of 1974-75 in the cooperative sector, 1,616 units were established as adjuncts to marketing societies. The cooperative sugar factories have formed themselves into 8 state federations and a national federation. Ninety one sugar factories were in production during 1974-75. They produced 20.9 lakh tonnes of sugar accounting for nearly 43.6 per cent of the country's total production of sugar. At the national level the National Federation of Cooperative Sugar Factories renders advice and maintains a technical cell. It has helped in organising Heavy Engineering Cooperatives Limited for manufacture of sugar factories in the cooperative sector. An outlay of Rs. one crore was made in the Fifth Plan for assisting this cooperative. In the field of cotton ginning and pressing, cooperatives handled nearly 15 per cent of the total cotton production in the country.

The public sector outlay and cooperation during sixth plan was as follows:<sup>1</sup>

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1. Op.cit., p.4



	<u>Rs. in Crores</u>
- Cooperative Credit	141.00
- Cooperative Marketing	178.50
- Processing & Storage Consumer Cooperative	10.50
- Miscellaneous	0.15
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	330.15
	<hr/>

Overall objectives of seventh five year plan are to increase food production, create more employment opportunities and to upgrade productivity. Based on these overall objectives, the policy approach to cooperative development in the seventh plan consists of the following aspects :

- (a) To strengthen the institutional structure of cooperatives at all levels to equip to provide the farmer, the worker and the artisan modern inputs for increasing production and productivity and provision of remunerative price in the products.
- (b) To create rural infrastructure of agro-processing, storage and other common facilities for increasing rural incomes, expanding employment opportunities and better utilization of resources.

- (c) To foster democratic and also professional management in cooperatives, so that they function with responsibility for the benefits of their members, particularly the weaker sections.

The Uttar Pradesh State Cooperate Bank Limited, Lucknow is the apex body which links the Cooperative Credit institutions of the State with the Reserve Bank of India and the National Bank for Agricultural and Rural Development. It is appropriate to study its origin and growth which is given in the Second Chapter.

## C H A P T E R - II

### WORKING OF THE U.P. STATE COOPERATIVE BANK LIMITED, LUCKNOW.

The State Cooperative Bank is the topmost financing institution in the State. It controls, supervises and guides the working of the whole cooperative movement at every stage and works as a friend, philosopher and guide of the entire cooperative movement in the State. The present chapter, therefore, deals with a detailed study of the U.P. Cooperative Bank Limited, Lucknow.

It was realised that the Central Cooperative Banks, inspite of being a helping hand to the Registrar, Cooperative Societies in the task of inspection and supervision of the primary units, were not working satisfactorily as far as finances were concerned. Moreover, Central Cooperative Banks required the services of some specialised agency for the coordination of financial activities in the State. Hence it was considered necessary to have an apex Bank in each State as a State Cooperative Bank, which is considered to be the vertex of three-tier pyramidal structure for providing short and medium term credit to the farmers on cooperative basis.<sup>1</sup>

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1. Chaubey, B.N., Principles and Practice of Cooperative Banking in India (1968), p: 146

A State Cooperative Bank thus directs, coordinates and controls the activities of all the organs of the cooperative movement in a State. It helps them in realising the aims and ideals of their very existence.

The MacLagan Committee (1915) in its report strongly recommended for the establishment of State Cooperative Banks on the following grounds:

- 1) The Central Cooperative Banks, during the first three or four years of their establishment, did not put up a very good show. The Registrar, Cooperative Societies of the State acted as the connecting link between the various Central Banks but this was an overdue duty to be shouldered by the Registrar. It was, therefore, considered necessary to establish a central controlling authority to watch, control and supervise the working of various units of the cooperative movement in general and central financing agencies in particular.
- ii) It was felt that the Central Banks in their day to day working did not enjoy the confidence of

the public and hence were unable to attract sufficient deposits..

- iii) Further, it was realised that inter-lending activities of Central Banks, if left uncontrolled would mix each others liabilities and might ultimately lead to disaster.
- iv) It was also pointed out that in certain States the Central banks of certain areas were able to attract deposits sufficient for their working, while in others they did not get sufficient funds to meet their requirement. It was thus felt that there must be an agency, which might transfer the surplus funds of one area to those areas which were in need of working capital.
- v) A large number of Central banks were started in every State and all were heterogeneous in character and there was no agency to coordinate their activities to control, guide and supervise their working and hence the necessity of an apex bank was badly felt.
- vi) Lastly the establishment of an agency which might work as a connecting link between the cooperative

movement and the money market of the country was also found indispensable.

The question of starting such a bank in U.P. was considered by a Committee appointed in 1917, which recommended the establishment of a State Cooperative Bank and submitted a scheme for the purpose. This scheme was approved by the provincial Cooperative Conference. But no action was taken in this direction.

The Oakden Committee of 1925 also recommended for the establishment of an Apex Bank in Uttar Pradesh. But no serious attention was paid to the question till the establishment of the Reserve Bank of India with a Special Agricultural Credit Department to help and guide the cooperative movement in the country.

Tight condition in the money market brought the question of a Provincial Bank in Uttar Pradesh again to the forefront and it was decided in the year 1938-39 to start it in U.P. A budget provision was made for the purpose but since scheme of Agricultural Credit and Marketing Corporation was also under consideration, the idea was deferred. For some time

again, due to the war, the question remained in cold storage. The Government of the State of Uttar Pradesh discussed the matter with the Reserve Bank of India and on its advice finally decided to start the Apex Bank and a bank under the name of 'U.P. Cooperative Bank Limited' which came into existence on 20.11.1944.

#### AREA OF OPERATION:

The area of operation of the Bank is limited to Uttar Pradesh.<sup>1</sup>

#### AIMS:

The aims of the Bank are as under:<sup>2</sup>

##### (a) Main Aims:

1. To act as a balancing centre for the cooperative institutions of Uttar Pradesh.
2. To earn money for the Bank through current, savings, fixed assets and other accounts and to take loan from time to time upto the limit and terms, which the Board of Directors thinks proper.
3. To grant loan to its ordinary members without security or rotationary or fixed capital or ownership bond.

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1. By the courtesy of Accountant, State Cooperative Bank Limited, Lucknow.

2. Quoted from the Bye-laws of U.P. State Cooperative Bank Ltd., Lucknow

With the exception that the Bank shall not grant loan or advance without consulting the Central Bank to which the society applying for loan is indebted but if under any circumstances the Central Bank is unable to grant financial help to the society attached to it then the Registrar can permit such society to be attached to the bank and take necessary financial help.

4. To grant loan, overdraft or cash credit to nominal members on following securities:
  - a) Receipts of the securities deposited in the bank.
  - b) Any security indicated under Section 20 of the Indian Trusts Act 1882.
  - c) Bonds of gold or silver or ornaments.
  - d) Products of the agriculture or industry.
  - e) Railway receipts.
  - f) Post Office, Life Insurance Corporation policies.
  - g) Pay bills of the Government employees
  - h) Any such securities which the Board of Directors accepts.



The business mentioned above is conducted under such terms and limit which the Board of Directors decides from time to time.

5. a) to issue letters of credit or to issue guarantee of letters of credit for import of machinery or other equipments under the licence obtained by the societies from central or State Government, to give guarantee of the payment of the amount for the purchase of machines or equipments and to give guarantee for such other works in general.
- b) to be guarantee of the member societies to any Bank of India or other agencies granting loans and to guarantee the members on the terms decided by the bank.
- c) to give guarantee to the members of the bank for the loan granted under such conditions or limits which have been decided for such loans by State Government, Reserve Bank of India or the institutions granting such loans and charge reasonable commission thereon.

6. To finalize contract note with State Government to establish principal state partnership fund proposed under Section 45 of the Act.
7. For the proposals indicated in Section 46 of the Act, with prior acceptance of the State Government to finalize contract note with Central Committee under Sub-Section 2(c) of Section 45 of the Act for the grant of fund from principal state partnership fund to Central Committee.
8. To collect money, on behalf of members and non-members, of the bills, drafts, cheques and allowance letters.
9. To purchase and sell securities for appropriation of the money more than the requirements and to act as an agent of the purchasers and sellers of securities other than indicated in Act 1882, Section 20, indenture a,b and c. To increase cash for the Bank to transfer, to mortgage or to pledge them in the forms of security against the loan taken by bank such securities or other capital.
10. Within the jurisdiction of the bank to open branches, sub-offices, payment offices and regional offices.

11. To conduct the business and to improvise the business of such committee, the management committee of which has been suspended or degraded under the act and rules.
12. To act as banker or the agent of the banks, the State Government, public institutions, Reserve Bank, other banks of the State.
13. To counsel the banks and societies with regard to the principles and working of the banks, to make suitable arrangements for their look after and inspect them.
14. To organize cooperative conferences and to take necessary action on the resolution passed in such conferences.
15. To utilize the funds, capital and assets of the bank in good manner which will include such things which will be helpful in fulfilling the objects as mentioned above or others. To do such other works which are helpful in cooperative banking and cooperative activity.
16. To do such other works which are helpful and profitable towards increase and development of the business of such bank.

(b) Secondary Aims:

The secondary aims of the Bank are given below:

1. Without contravening the Act, rules and provisions to do such works and business which are generally being done by banks or bankers.
2. To accept ornaments and valuable things as securities.
3. To write promotes or other subsistence notes with or without securities, to accept, to endorse, to maintain, to sell or to utilize them in such other manners for their use in inland exchange business.
4. According to cooperative principles to uplift the finance of the members of the bank and to facilitate the working of any society.
5. To promote and to develop the business of the bank to do such other works which are helpful and profitable.

MEMBERSHIP:

The membership of the Banks depends on the following terms and conditions:<sup>1</sup>

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1. Quoted from the Bye-laws of U.P. State Cooperative Bank Ltd., Lucknow

According to rule 38 every application for membership is endorsed to the Secretary. It is the duty of the Secretary to put such applications at the earliest before the Executive Committee for taking decision thereon but for the decision on nominal membership the Board of Directors can authorise any official of the bank.

The Executive Committee or the Board of Directors with regard to it as far as possible takes necessary decision in case of general membership within thirty five days and in case of nominal membership within fifteen days until and unless it is not possible to take such decision due to unavoidable circumstances. Such decision is communicated to the applicant within seven days.

If no decision is taken within seven days from the date of receipt of application for general membership and thirty days in case of nominal membership and such applications are stored then it is assumed that such applications have been rejected.

An appeal can be made under Sub-Section 1(c), Section 98 of the Act against the decision of such rejection.

The member of the bank, who is not indebted to the bank and not a surity of such loan which has not been refunded, can withdraw his membership after giving one month notice to the bank. After the expiry of the notice period it will be deemed that he is not a member any further. After the expiry of stipulated period under Section 25 of the Act, he is entitled to withdraw the amount payable to him by the bank on his shares.

After the lapse of the term, the membership of the personal members of the bank lapses and such members are entitled for the withdrawal of the amount payable to them on their shares.

The membership of the bank is opened to:<sup>1</sup>

1) General Members:

- i) Central Bank
- ii) Apex level societies
- iii) State Government

2) Nominal Membership:

Any such person can be nominal member with whom the bank is carrying out or thinking to carry out its business.

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1. Quoted from the Bye - laws of U.P. State Cooperative Bank Ltd., Lucknow

Nominal member is not entitled to any benefit on his shares and he is not entitled for the membership of the Board of Directors.

Nominal member can present his application for the membership with one rupee as entry fee. For this, the authorised official takes the decision.

Such entry is generally for three years. But after fresh application with entry fee of rupee one the official authorised by the Board of Directors can allow to continue the membership for further three years at a time.

If any nominal member is indebted to the bank in personal capacity or as guaranter or surety after the expiry of the period of his membership, than he is considered as nominal member of the bank till the time his loan or the loans given on his guarantee or security are not refunded to the bank. But till the time he is not re-selected as per terms of para mentioned above he is not entitled to take any loan and is not allowed to be a guaranter or security of any loan.

Nominal members are personal members. Their heirs or nominated persons can not be the members. But the heirs and nominated persons are responsible for the loans and liabilities of nominal members till the time such liabilities and loans are not fully refunded.

Membership of the nominal member is discontinued in case of his death, his expulsion from the society, his defunctness, having left India with the intention of not returning back.

The amount paid by the nominal member is not refundable and it is deposited in the safe fund.

The nominal member is entitled to utilize the services indicated at Section A (4) of bye-laws 4.

The liability of the nominal member is limited only to the entry fee paid.<sup>1</sup>

- 3) 1) Before being a member, every person has to sign a declaration that he is bound to the bye-laws and changes and modifications made therein within the time of his membership.

Such declaration is certified by two persons.

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1. By the courtesy of Accountant U.P. State Cooperative Bank Ltd., Lucknow



The person, who has become the member having signed the application of the terms of bank, has to sign within one month on such declaration after the term of the bank due to the fear of restriction.

- 2) No person has the right till the time he has signed the declaration mentioned above and he has paid the amount to the bank in connection with his membership or he has earned such favour which is indicated in the rules and bye-laws.

- 4) (a) A member is debarred from the membership, if:<sup>1</sup>

- 1) he has lost the qualifications required in the act, rules and the bye-laws for the membership,
- 2) he has been granted membership of the bank in contravention of the act, rules and bye-laws.

- (b) Membership of any person is withdrawn, if:<sup>2</sup>

- A : 1) he has misappropriated any amount or the other property of the bank or has done any

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1. Quoted from the Bye - laws of U.P. State Cooperative Bank Ltd., Lucknow.

2. Ibid.

destruction to the property or the bank.

- 2) he has done some harmful work to the interest of the bank by contravening the bye-laws.
- 3) the declaration made by any member is found wrong following the provisions of the bye-laws or if he is found guilty of hiding any substantial information and such member has taken undue benefit through such wrong or faulty information or if the bank has faced monetary or financial loss due to him.

B: To any such person who is to be removed or restituted under the bye-laws mentioned above, the Board of Directors ask to let them know the reason within ten days from the date of receipt of notice that why he should not be removed or restituted from the membership. If the reply to the notice is not received within the stipulated time or if the reply is not satisfactory in view of the Board of Directors then after the expiry of the period mentioned

in the notice, he is removed or expelled by the two-third members in the meeting held within fifteen days after such period.

A copy of the minutes of the meeting of the Board of Directors called for this purpose is sent to that member who is to be removed or expelled. The related member has right to plead his case, if he so desires, before the meeting.

C: The member removed on the ground mentioned above has the right to appeal to the Registrar under Sub-Section 1(c) of Section 98 of the Act.

D: The person removed or expelled from the membership of the bank under Sub Section(2), Section 27 of the Act is disqualified for the membership of the bank for two years from the date of resolution or the effective date of such removal. No such person can be qualified to be an official of the bank or for election as a member of Board of Directors.

LIABILITY:

The liability of the members towards the loans of the bank is limited only upto nominal value of their shares.<sup>1</sup>

From the following table it would be clear that the U.P. Cooperative Bank showed an increase in the sphere of membership and number of offices, during the plan years beginning from 1950-51. But whereas there is an increase in the total number of membership, there has been a constant decrease in the individual membership which has now been discontinued after the enforcement of the present bye-laws of the bank on 14.8.1969.

It is evident from the table that the total membership has increased about ten folds during the period. The number of offices has also increased but only 5 offices have been opened during the period of ten years from 1950-51 to 1957-60.

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1. Quoted from the Bye - laws of the U.P. State Cooperative Bank Ltd., Lucknow.

TABLE - 1

Showing Membership and number of offices  
of the U.P. Cooperative Bank Ltd., Lucknow.

Year	No. of Members			No. of offices including H.O.
	Individual	Bank & Societies	Total	
1950-51	179	448	627	9
1951-52	262	923	1185	10
1952-53	236	988	1224	10
1953-54	231	1043	1273	10
1954-55	220	2451	2671	12
1955-56	221	3513	3734	12
1956-57	222	4445	4667	13
1957-58	222	4916	5138	13
1958-59	219	5702	5921	13
1959-60	181	5971	6152	14
1964-65	161	2597	3118	13
1966-67	146	2473	2619	10
1969-70	142	1158	1271	9
1971-72	-	730	730	11
1972-73	-	583	583	11
1973-74	-	592	592	11
1974-75	-	592	592	14
1977-78	-	1045	1045	18
1978-79	-	120	120	26
1980-81	-	63	63	26
1982-83	-	63	64	26
1983-84	-	64	65	26
1984-85	-	64	65	29
1985-86	-	65	66	29
1986-87	-	67	68	29
1987-88	-	67	67	29
1988-89	-	67	67	29
1989-90	-	67	67	29

SOURCE: By the courtesy of the U.P. State Cooperative Bank, Limited, Lucknow (U.P.)

The membership of the U.P. Cooperative Bank on 30.6.1975 consisted of the following:

1)	State Government	-	1
2)	Central Cooperative Banks	-	56
3)	Other Societies	-	536

The following table gives the idea of the membership of the Bank besides the U.P. Government since 1962-63.

On the perusal of the table on the next page it is clear that besides the State Government, the membership of the bank as on 30.6.1964 consisted of 59 District/Central Cooperative Banks, 5384 other societies and 164 individuals as against 57 Banks, 6194 other societies and 164 individuals respectively as on 30.6.1963. The increase in the number of member Cooperative banks from 57 to 59 in the year 1963-64 was due to the affiliation of the two newly organised central Cooperative banks of Almora and Pithoragarh with this bank. Further the membership of the District Cooperative Banks has been reduced by 3 during the year 1965-66 due to the merger of:

TABLE - 2

Showing Membership and number of offices of  
the U.P. Cooperative Bank Ltd., Lucknow.

Years	Number of Members			No. of Branches
	Individuals	Central Coopera- tive Bank	Other Societies	
1962-63	164	57	6194	13
1963-64	164	59	5384	13
1964-65	161	59	2898	13
1965-66	154	56	2406	10
1966-67	146	57	2416	10
1967-68	143	59	2053	10
1968-69	142	59	1672	10
1969-70	-	56	1102	9
1970-71	-	56	678	10
1971-72	-	56	674	11
1972-73	-	56	527	11
1973-74	-	56	536	11
1974-75	-	56	536	14
1978-79	-	56	8	18
1980-81	-	56	7	25
1982-83	-	56	7	26
1983-84	-	57	7	26
1984-85	-	57	7	29
1985-86	-	58	7	29
1986-87	-	60	7	29
1987-88	-	60	7	29
1988-89	-	58	9	29
1989-90	-	72	9	29

SOURCE: Compiled by the author on the basis of the  
Annual Reports of U.P. Cooperative Bank  
Limited, Lucknow for respective years.

- a) Ranipur Central Cooperative Bank, Jaunpur
- b) Delhi Cooperative Banking Union, Mirzapur, and
- c) Iltifat Central Cooperative Bank Ltd., Unnao

with the respective District Central Cooperative Banks of the districts concerned.

Secondly, there is a sharp decline in the number of member societies of the Bank from year to year. It fell from 6194 in 1962-63 to 5384 in 1963-64 and again to 2898 in the year 1964-65. This number further reduced to 2053 and 1672 in the year 1967-68 and 1968-69 respectively and again the number came down to 678 in the year 1970-71 from 1102 in the year 1969-70, so much so that the number came down to 536 in the year 1974-75. This decrease in the number of membership of the societies is in pursuance of the policy of the Bank that in places where there are central banks, the loan business of this bank should be transferred to the respective district cooperative banks. During the year 1964-65, the loan business of Varanasi, Faizabad, Kanpur and Barabanki branches was transferred to the respective District/Central Cooperative Banks and thus the primary agricultural credit societies of the districts concerned were disaffiliated from this bank and affiliated with the District/Central Cooperative



Banks. This accounts for a decrease of about 50 per cent in the number of member societies in the year of 1964-65.

The individual membership of the bank has also been decreasing from year to year due to transfer of their shares to societies. As there is no provision of individual members in the bye-laws of the Bank enforced by the Registrar, Cooperative Societies on 14.8.1969, the share money of the erstwhile individual members has since been refunded. Out of 142 individual members of the bank as on 30th June 1969, 113 members took the refund of their share money in the year 1969-70. The remaining 29 have since taken the refund of their share money from the bank. Thus, the individual membership has now ceased with the adoption of the present bye-laws on 14.8.1969.

During the year 1970-71, the number of societies reduced to 678 as against 1102. As far as the question of membership of Central Cooperative Banks is concerned, the figure of 56 remained the same during the period from 1969-70 to 1982-83 and a slight change was also visible in the expansion of branches of the Bank as it rose upto 10 instead of 9 in the year. The number of membership of societies

continuously and rapidly reduced and it came down to 8 only in the year 1978-79 in comparison to 536 in the year 1974-75 which is a very objectionable down-fall and it further reduced to 7 in the next year while on the other hand the membership of Central Cooperative Banks increased upto 57 instead of 56 due to inclusion of Ghaziabad District Central Cooperative Bank in the membership and it further increased to 58 in the year 1985-86 as District Central Cooperative Bank, Lalitpur was included in the membership. U.P. Handloom Cooperative Marketing Federation Limited, Varanasi and State Handicraft and Industrial Cooperative Association Limited, Kanpur was also included in the membership during the year 1986-87. Resultantly, the membership of Central Cooperative Banks rose to 60 instead of 58 as compared to the previous year. The position of branch expansion, however, is satisfactory as compared to the previous years. The membership further increased to 67 during the year 1988-89, and it again rose to 81 during the year 1989-90 as against a figure of 67 in the previous year. The overall position of membership of the Bank is however, satisfactory.

### C H A P T E R - III

#### MANAGEMENT PATTERN OF U.P. STATE COOPERATIVE BANK LIMITED, LUCKNOW

It has been pointed out in the previous chapter that the U.P. State Cooperative Bank Ltd., Lucknow came into existence on November, 20, 1944. The area of operation of the bank is limited to Uttar Pradesh. The management of the bank is democratic like other cooperative organisations in the country. According to the bye-laws of U.P. Cooperative Bank Limited, Lucknow, the management of the affairs of the Bank vests in the following bodies and officers.

- a) The General Body
- b) The Board of Directors
- c) The Executive Committee
- d) The Chairman / Vice-Chairman
- e) The Secretary.

#### The General Body:

The General Body of the bank consists of the following:<sup>1</sup>

- a) Such representatives as decided by the State Government under rule 88 as much as assessed by

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1. Quoted from Bye-laws of the U.P. State Cooperative Bank Ltd., Lucknow.

the State Government under Section 34 by State Government to the Board of Directors.

- b) Two representatives from every central bank.
- c) One representative from every apex level society.

No person can be appointed as a representative in the General body of the bank from any cooperative society till the time he is member of the cooperative society or he has any disqualification mentioned in the rules.<sup>1</sup>

A person who is representative in the General body of the bank will not be representative if he has any disqualification mentioned in rule 87.

Any person who is already appointed as representative in the General body of the bank by any society will remain representative till the time that society appoints to whom he represents does not appoint other representative in his place and inform the bank about it.<sup>2</sup>

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1. Quoted from the Bye-laws of U.P. State Cooperative Bank Ltd., Lucknow

2. Ibid.

General Meeting:

Meeting of the General Body may be:<sup>1</sup>

- a) annual, and b) other general meeting.

Annual General Meeting:

The annual general meeting is called by the bank after presenting annual brochure and examining the accounts under Section 64 during its cooperative year as early as possible upto 31 December whether the audit has been held or not. Provided that the Registrar can permit the annual general meeting even after 31 December. In that case the annual general meeting is held during that period.<sup>2</sup>

The functions of the annual general meeting are as follows:

- 1) The approval of the affairs drafted by the Board of Director for the following year.
- 2) The election of the member of the Board of Directors under rules and provisions made under the bye-laws.

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1. By the courtesy of Manager, U.P. State Cooperative Bank Limited, Lucknow.  
 2. Quoted from the Bye - laws of the U.P. State Cooperative Bank Ltd., Lucknow.

- 3) To consider balance sheet and annual report of the last cooperative year with the exception if the auditing was not done in the stipulated period under rules.
- 4) Considering the audit certificate and the examination of account reports of the last cooperative year under rule 92 except in case the auditing was not done in the stipulated period.
- 5) Deciding the maximum liability of the bank for the coming year.
- 6) Disposal of the real profit.
- 7) Considering the budget of the coming cooperative year.
- 8) Any other item presented before it according to bye-laws.

Under section 31-a(1) of the Act even though it is the duty of the Managing Director and in his absence the Chairman of the Board of Directors has right to call annual general meeting under sub-Section of the bye-laws. If it

is not done then the Registrar or the person authorised for this purpose can call the annual general meeting.

If the annual general meeting of the bank is held any time before the examination of the accounts under rule 91, the items mentioned at Sub-Section 3, 4 and 6 of the bye-laws mentioned above are considered in the next annual general meeting.

#### General Meeting:

The Board of Directors of the bank can call the general meeting of the general body as and when deemed necessary which<sup>1</sup> is called ordinary General Meeting.

The Board of Directors after receiving request in writing of the Registrar or one-fifth members of the general body, can call the general meeting or the general body (which is called ordinary general meeting), within one year. If the meeting mentioned above is not called by the Board of Directors the Registrar can authorize any person for this purpose to call general meeting at specific place and times directed by him.

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1. Quoted from the Bye - laws of the U.P. State Cooperative Bank Ltd., Lucknow.

Purpose is mentioned on the requisition letter of the members for holding extra ordinary meeting of the general body and it is given to the registration office of the bank.

At least 15 days notice is essential for general body meeting. The notice of the meeting is sent to every member, with the information of the day, place, time and agenda under registered post.<sup>1</sup>

Even at the request of the members no item can be considered in the meeting except mentioned in the agenda. In other meeting the Chairman can allow to consider such matters which are not included in the matters under consideration.

#### Quorum of the Meeting:

- a) The quorum of the general body is 1/5th of the members or thirty members (whichever are less).<sup>2</sup>
- b) If the quorum of the meeting is not fulfilled within half an hour then the meeting is considered postponed till the date and time, as the members present think proper. The quorum for

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1. By the courtesy of Manager, U.P. State Cooperative Bank Ltd. Lucknow.  
 2. Quoted from the Bye - laws of U.P. State Cooperative Bank Ltd., Lucknow.



such postponed meeting of the general body is<sup>1</sup>  
1/10th or fifteen members, whichever is less.

Provided that if the meeting has been called at the request of the members then that meeting is dismissed within an hour if the quorum is not fulfilled.

#### Chairmanship of the Meeting:

The Chairman of every meeting is the president of the bank. In his absence the Vice-President is the Chairman. In the absence of both, the members can select one member present as their Chairman with the condition that the President or Vice-President can not be the Chairman of such meeting if their personal interest are involved.<sup>2</sup>

#### Disposal of items of the Meeting:

- a) The items of the meetings are decided by a resolution of the majority of members with the condition that any member of the Board of Director can not cast vote in such meeting in which his interest is involved till the time, under act, rules and bye-

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1. Quoted from the Bye - laws of U.P.State Cooperative Bank Ltd., Lucknow.

2. Ibid.

laws and special majority is required. In case, the votes are equal in the favour and against then the President has the right to cast his final and deciding vote.

- b) When there is difference of opinion in any meeting then any member can demand voting. When there is such request for voting then the President can order for voting on the resolution.
- c) Every member, every representative and every nominated person can cast vote himself in the administration of the bank and no member, representative or the nominated person is permitted to get vote casted through some other person.

#### Board of Directors:

The management of the bank vests in the Board of Directors. There are following members in the Board of Directors:<sup>1</sup>

1. One Director represents the interests of other cooperative institutions affiliated to the bank.

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1. Quoted from the Bye - laws of U.P.State Cooperative Bank Ltd., Lucknow.

2. Two nominated Directors of the State Government under Section 34 of the Act.

3. Twelve Directors elected from Central Cooperative Banks and representatives from apex level societies among which two members are from poor groups.

With the condition that if under any circumstances the selection from among the poor society is not made upto the required number then the State Government has the right to nominate some person/persons against such post/posts under rule 393(2).

It is also a condition further that the total number of the members of Board of Directors should not be more than fifteen.

It is also a condition that the Board of Directors has right to give representation to all fields and interests according to rule 409.

Disqualification for Election or holding the post of Director:

No such person is elected member of the Board of Directors if he has any disqualification mentioned in rule 453.

The term of the Board of Directors:

With the exceptions mentioned in rule 406, 433, 434 and 435 the term of the Board of Directors is three years which includes the cooperative year of such election.<sup>1</sup>

Explanation:

- 1) If any person is member of the Board of Director at the time applicability of the rule and he is elected again or is absorbed as the Director after the rule is applied then it is thought that before election or absorption he has held the post in the bank for one year, under rule 449.

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1. Quoted from the Bye - laws of U.P. State Cooperative Bank Ltd., Lucknow.

- 2) Any such member who has not been member of the Board of Directors for complete three years is entitled to be elected member of Board of Directors.

Term of nominated Directors:

Any nominated Director remains on the post during the pleasure of nominated official under act and rules.<sup>1</sup>

Fulfilling accidental vacant posts:

If any post falls vacant accidentally among the elected members of the Board of Directors then that post is filled through absorption by the remaining members of the Board of Directors from among the eligible members.<sup>2</sup>

Meeting of the Board of Directors:

- a) The Board of Directors can call meeting, postpone it and as it thinks better can control the meeting for the functioning of the bank. The decision on the question raised in the meeting of the Board of Directors is decided by majority, vote. In case of equal votes for

- 
1. By the courtesy of Manager U.P. State Cooperative Bank Limited Lucknow.
  2. Quoted from the Bye - laws of U.P. State Cooperative Bank Ltd., Lucknow

and against, the Chairman has the right to cast his decisive vote.

- b) If in any meeting, any member differs with the majority opinion, then he can persuade to get his difference of opinion noted in proceeding book, which the Chairman has to note.

#### Quorum of the Board of Directors:

The quorum of the Board of Directors is five Directors. Seven days' notice is compulsory for the meeting of Board of Directors but under extra-ordinary circumstances the meeting of the Board can be called at less than<sup>1</sup> seven days notice.

#### General Rights of the Board of Directors:

The organization and management of the bank is controlled by the Board of Directors, which have the right of settlement, to make such arrangements to improve, to do all such works and to use all such rights which are essential and proper for the benefit of the bank for which it has been established.

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1. Quoted from the Bye - laws of U.P. State Cooperative Bank Ltd., Lucknow.

Clear Rights of the Board of Directors:

The clear rights and duties of the Board of Directors without neglecting the general rights given through bye-laws are as under:<sup>1</sup>

- a) to elect Chairman and Vice-Chairman from among the members of the Board of Directors under rules 429,430,431 and 432.
- b) to elect one Executive Committee and for special work sub-committee/sub-committees of one, two or more Directors under rule 393.
- c) to appoint one or more persons if essential for the help of the Director under Section 31 a(1).
- d) to appoint officers, officials and clerks for the functioning of the bank and to terminate, suspend or to penalise in some other ways and to decide their bonus.

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1. Quoted from the Bye - laws of U.P. State Cooperative Bank Ltd., Lucknow.

- e) to collect money for the bank by current saving, fixed deposits and other accounts and to take loan from time to time upto the limit and under such terms as thought proper by the Board of Directors.
- f) to collect required money or take loan from time to time for the functioning of the bank from other banks or Central/State Governments according to bye-laws and to mortgage securities, shares and other capitals for such loan under cash, credit, overdrafts etc.
- g) to prepare hundi and other current documents, negotiable instrument with or without any security, to accept it, to endorse, to cash, to purchase or sell it.
- h) to make proper arrangement for keeping important documents of the bank.
- i) to follow the terms or contracts of the lease



accepted, applied or got in some other way and to pay the total rent on behalf of the bank.

- j) if essential to ensure all or any building, goods or other capital or other securities of the bank separately or jointly upto a period or limit or to continue that to which the Board of Directors thinks proper. To sell, to apply, to give or continue any insurance or policy under right and to which the Board of Directors thinks proper.
- k) to give loan or advance under rules on the interest thought proper to Central Banks, Central or Primary Societies. Such loans or advances can be given for refund on or without securities. Floating or fixed capital or documents can be accepted as securities.
- l) to give loan and to grant overdrafts or to give benefit of cash credit to nominal members under following securities:

1. The receipt of securities deposited in the bank.
  2. Official papers or other securities mentioned in Section 20 of Indian Trust Act, 1882..
  3. gold or silver rods or ornaments.
  4. Agriculture and industrial output.
  5. Railway receipts.
  6. Post Office or L.I.C. policies.
  7. Pay bills of Government employees.
  8. Other such securities which the Registrar may accept.
- m) to present annual report and balance sheet in the annual meeting of General Body and to make provision for incorrigible and doubtful loans and to recommend distribution of the profit.
- n) to write bills of rights, consent letters, extract notes, receipts and other documents for the work of the bank.

- o) to dispose off property kept against loan securities or to send it for the decision of the mediator or to grant some more time to the debtor to pay his loan.
- p) to start, to settle neutrally or to send for the decision of the mediator or to continue, defend all such proceedings and suits which the Board of Director thinks proper.
- q) to open branches in any part of the State with prior permission of the Registrar and to formulate rules for their functioning, specially to create local boards and committees, to decide their legislature.
- r) following bye-laws of rule 176 to purchase, to take on lease or in some other way any land or building (free-hold, lease-hold or of any other type) to facilitate the working of the bank and for residence of the employees.
- s) to purchase shares on behalf of the bank from any cooperative or other institutions or to

send representatives under rules.

t) 1. According to rule 64 to give one or more article on request in writing on such fee as the Board of Director decides.

2. to decide fee for inspection of the article or documents of the bank under rule 376.

u) to prepare brief report of the audit under rule 93.

v) the Board of Directors can give its right to:<sup>1</sup>

1. Executive Committee,
2. Sub-Committee, if any,
3. Chairman, and
4. Managing Director or some other.

Executive Committee, sub-committee, Chairman or Managing Director or some other officials are appointed according to rules decided by the Board of Directors. All the works done by the Executive Committee, sub-committee, Chairman, Managing

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1. Quoted from the Bye - laws of U.P. State Cooperative Bank Ltd., Lucknow.

Director or some other officials under such rules and the actions taken for the fulfilment of the aims of the appointment are as powerful and affective as if they have been done by the Board of Directors itself.

#### Legality of the action of Board of Directors:

The actions of the Board of Directors are considered legal, without taking into account any vacancy in the Board of Directors, qualification of the Director if there is no vacancy having no drawback in the qualifications of the Director.<sup>1</sup>

#### Executive Committee:

1. There are following seven members in the Executive Committee:<sup>2</sup>
  - a) Chairman
  - b) Vice-Chairman
  - c) Four elected Directors
  - d) nominated Director of the State Government
2. Members of the Executive body can hold the posts for one year upto the time of election of new members by Board of Directors.

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1. By the courtesy of Manager U.P. State Cooperative Bank Ltd., Lucknow.  
 2. Quoted from the Bye-laws of U.P. State Cooperative Bank Ltd., Lucknow.

3. No person is a member of the Executive body if he is not a member of the Board of Directors. The vacancy thus or in some other way created, is fulfilled through the presently elected or nominated from among the present Directors.
4. The quorum of the meeting for Executive Committee is by four members.
5. The Executive Committee under bye-law 5 can utilize the power and duties given by the Board of Directors apart from recruitment of the ordinary member.

Places of the meetings:

The meetings of the General Body, Board of Directors and the Executive Committee are convened at the headquarter.<sup>1</sup>

Explanation:

The Executive Committee means that sub-committee which has been formed by Board of Directors and has given its whole or few rights and duties.

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1. By the courtesy of Manager, U.P.State Cooperative Bank Limited, Lucknow.

Chairman/Vice-Chairman:

The Chairman is responsible for the control, suspension and guidance in the matter of board. He has power to use such rights and duties which has been determined by the Act, rules, bye-laws and the resolutions of the Board of Directors present. He is the Chairman of the meetings of the General body, Board of Directors and Executive body following the arrangements and exceptions made under rules.<sup>1</sup>

In imminent situations (emergency) he has rights to utilise all powers of the Board of Directors. Chairman is authorised to decide himself or should mention in the rules that such situation has arisen. He keeps this in mind that the work of the bank is being done firmly and according to laws.

The Vice-Chairman, according to the arrangements made under rules is the Chairman of General body, Board of Directors and the Executive Committee in the absence of the Chairman. He can use such powers and duties which have been given to him by the Chairman in writing under rules.<sup>2</sup>

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1. Quoted from the Bye - laws of U.P.Cooperative Bank Ltd., Lucknow
  2. Ibid.

Managing Director:

The Managing Director is the main Executive Officer and being under the control of the Board of Directors and the Chairman as provided under rules and bye-laws of the bank, his duties and liabilities are the following:<sup>1</sup>

1. To have general control over the Bank administration.
2. To call meeting of the Board of Directors and General body.
3. To receive all money and securities on behalf of the bank and to make necessary arrangements for the proper maintenance and custody of the balanced cash and other properties of the bank.
4. To enclose and to transit saving letters, Government and other securities to endorse cheques on behalf of the bank.
5. To be responsible for the routine works and to conduct, supervise and manage the matters of the bank.

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1. Quoted from the Bye - laws of U.P.Cooperative Bank Ltd., Lucknow.



6. To sign all collected receipts and conduct the account of the bank.
7. To sign all instruments of mortgage and contract in favour of the bank.
8. Living under the budget provision of the bank to create post of third and fourth category for three years and to appoint person as an appointing authority on such posts with the help of the board as is specified in the regulations formed by the State Government under Sub-section 2 of the Section 122.
9. To determine the rights duties and responsibilities of the bank employees.
10. To get the suit filed for and against the bank relating to other bank or to institute, conduct, propound, compound or to abandon other legal proceedings and to compound any adjudication or demand by the bank against it or to give time for satisfaction.

11. remaining under such bye-laws as formed by the Board of Directors negotiate and during construction to sign contract upto Rupees Five Lac for the first time and Rupees Two and half Lac each afterwards. For the purpose of the Bank, for and on behalf of the bank to do such all works and deeds and to negotiate on the subjects mentioned above.
12. Keeping final control and authority to delegate all or some of such rights, authorities and discretions to some employee or employees, who are close to the manager.

Minutes of the proceedings of the Meetings:

All the minutes of the proceeding of the meetings are recorded in the register kept for this purpose and the Chairman of the meeting and Secretary of the Bank sign on the proceedings of the meetings.

Allowances and other benefits:

The allowances are paid to the Chairman, Vice-Chairman and the members of the Board of Directors according to sub-sections of the rules 384, 385, 386, 387, 388 and 389.

Other benefits are also given as per rules framed by the general body.<sup>1</sup>

Administrative Set Up: (The Secretary)

The Uttar Pradesh Co-operative Bank Limited has its registered office at 2, Mahatma Gandhi Marg, Lucknow. The Secretary (Sachiv) is the Chief Executive Officer of the Bank. The General Management of the business of the bank vests in him. The Secretary functions under the control and guidance of the Board of Directors.

To assist the Secretary in the day to day working, there are two Deputy Secretaries (Uttar Pradesh Sachiv) and a Chief Accountant. The Secretary assisted by these Officers is responsible for the sound management and efficient administration of the Bank.

The working of the office has been divided into the following Departments/Sections and each section has been placed under an experienced officer of the Bank.

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1. Quoted from the Bye - laws of U.P. State Cooperative Bank Ltd., Lucknow.

- (1) Rehabilitation of weak Banks
- (2) Agricultural Credit
- (3) Industrial Finance
- (4) Central Accounts
- (5) Investments
- (6) Shares
- (7) Training
- (8) Establishment
- (9) Audit
- (10) General
- (11) Records
- (12) Regional Officers and Inspections

Co-ordination, Training & Publicity:

Being the leader of the Co-operative Movement in the State of Uttar Pradesh, the Uttar Pradesh Co-operative Bank plays an important role in respect of all round and co-ordinated development of co-operative credit structure and furthering the fundamental principles of co-operative education and publicity. It also coordinates the activities of District/Central Co-operative Banks. With this view the Bank arranges conferences of the Chairman and Secretaries

of the District Co-operative Banks. Such conferences are of very great importance in the working of the District Co-operative Banks in the State. It is, therefore, desirable to hold such conferences and organise Job-oriented Training Camps for the staff of the District Co-operative Banks. In view of the launching of a systematic branch expansion programme by the District Co-operative Banks in the State, the Uttar Pradesh Co-operative Bank has recognised the need of proper training for the staff of the branches particularly the Branch Managers. Recognising this need of training, the Bank organises Job Oriented Training Camps for the staff of District Co-operative Banks and so far so many Branch Managers have been trained. The remaining Branch Managers should be trained as early as possible to tone up the operational efficiency of the newly established branches of the District Co-operative Banks in the State.

The composition of the Board of Directors of the U.P. State Cooperative Bank Limited, Lucknow is not rational. There is no representation of the financing institution on the Board. Further, the Board is deprived of the help and advice of sub-committees, as the Act of the Bank does not

provide for the appointment of such committees.

The role of the Board in policy making is nominal as the National Bank for Agriculture and Rural Development and the Registrar prescribe most of the procedures and policies of the Bank. The role of the Board is limited for ensuring effective implementation of procedures and policies through periodical management performance. [In practice, this role is not properly conceived nor is it effectively played.]

It is strange that while the U.P. Cooperative Bank is subjected to rigorous financial discipline by the NABARD, the Central Cooperative Banks are not subjected to similar discipline by the U.P. State Cooperative Bank. This obviates its effective control over member Central Banks and affiliated societies. The Financial planning and control technique of the Bank is too simple for their highly regulated nature and there is a lack of autonomy for the branches in financial matters.

The U.P. Cooperative Bank not only finances the Central Cooperative Banks and affiliated societies but also supervises and controls their working. Effective supervision and control over the Central Cooperative Banks and affiliated societies is one of the important means of ensuring operational efficiency at State level. The U.P. Cooperative Bank is, therefore, vested with both statutory and non-statutory powers to discipline their members.

Enforcing discipline becomes rather difficult in view of the cooperative and federal character of the Bank. Hence, U.P. Cooperative Bank prefers persuasive methods to the use of its statutory powers in disciplining the members- A study of the nature of supervision and control over members in respect of loaning and recovery operations of the Bank lends support to this. Several of the operational deficiencies on loaning and recovery front are the result of the liberal attitude of the bank in disciplining their members.

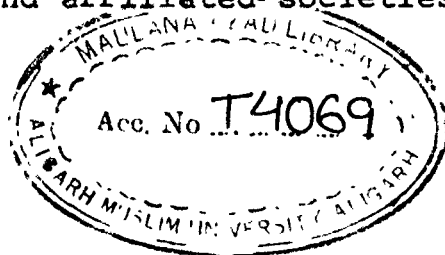
The U.P. Cooperative Bank faces even greater difficulties in enforcing penal measures. Even though the bank

is equipped with extraordinary legal powers to curb overdues, there is a general reluctance on the part to do so, particularly in the case of a bank which has an elected Board, to exercise these powers.

It is for this reason that the State Cooperative Banks rely more on persuasion rather than on coercion. This, however, does not render the bank with elected Board less efficient in its operations.

In view of the importance of a persuasive approach in cooperatives, there is need for enlightening members and promoting member identification, interest, involvement and support. This can be done through effective educational and member-relation programmes, efficient service, holding of annual general meetings regularly with proper planning, constitution of advisory committees at branch level and conducting elections to the Board of Directors regularly.

In financing agriculture, a bank with an elected Board of Directors ensures adequacy of credit to member Central Cooperative Banks and affiliated societies by res-





ponding to their growing needs. Further, the cases of relaxations in vital loaning procedures are relatively few in the bank compared with those in banks with a nominated Board. This belies the assumption that the Banks having elected Boards would resort to unsound lending by yielding to pressures by members.

In respect of recoveries also, an elected leadership does not seem to be a deterrent factor in hustling the members for prompt and full repayment. In fact, it has played a positive role in recovery from recalcitrant and chronic defaulters. A bureaucratic leadership has no edge over an elected one in the efficient management of a Bank. Since elected Boards per se are ineffective in managing the Banks, the Government should not resort to superseding of such Boards in banks or deny them the services of elected Boards by suspending the elections for long. The practice of constituting nominated Boards should be an exception rather than a rule and only a short term measure. Even if constitution of a nominated Board becomes inevitable for a short period, it should be a broad based Board of with a majority of non-officials to guard against concentration of

power in the person-in-charge. There is much scope for enlisting the cooperation of the leadership by actively involving them in loaning, recovery and deposit mobilisation operations of the bank through an action plan prepared for the purpose. Such a plan may provide for fixation of targets for them in respect of loans, deposits and recoveries, periodical review of their achievements and also rewards for their achievements.

To sum up, the democratic set up of a cooperative Bank is not incompatible with its efficiency, and bureaucratic leadership is no substitute for ineffective elected leadership in Cooperative Banks. An elected leadership plays a positive role in responding to the local needs of agriculture, branch expansion, deposit mobilisation and recovery of loans. A bureaucratic leadership with roots outside the organisation, susceptibility to frequent transfers, and target-minded approach can not contribute to the efficient management of cooperative banks.

## C H A P T E R - IV

### THE FINANCIAL RESOURCES OF U.P. STATE COOPERATIVE BANK LIMITED, LUCKNOW

The overall progress of U.P. State Cooperative Bank depends largely upon its financial resources. The greatest problem of the bank is how to collect the maximum amount of money at the cheaper rate of interest to carry on its transactions at a high level with a minimum risk.

The following are the sources of U.P. State Cooperative Bank Limited, Lucknow for raising its working capital.<sup>1</sup>

- 1) Share Capital
- 2) Deposits from members and non-members
- 3) Borrowings
- 4) Reserves
- 5) Government Grants.

The sources play a very important role in building up the working capital of the bank. Besides, these sources, the bank also receives amount from entrance fees, transfer fees and other miscellaneous items. The bank is geared up to mobilize local deposits and to minimize outside

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1. By the courtesy of Accountant, U.P. State Cooperative Bank Ltd., Lucknow.

borrowings. The different kind of financial sources of U.P. Cooperative Bank are being dealt in the following pages.-

1. Share Capital:

The chief objective of the Bank is to acquire a permanent capital of its own as speedily as possible. Such capital is either share capital or reserve funds.

Share capital is an important source to raise the funds of U.P. Cooperative Bank. It has been increased by minimizing lending to the affiliated central Cooperative Banks and other members societies.

As a result, the entry of newly admitted members to the bank and shares of the bank purchased by them for maximum credit limit are reliable and regular sources for raising its share capital. The share capital of the bank of this kind plays a very important role for its development as it becomes a base for higher borrowings.<sup>1</sup>

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1. Rahman, M., Genesis of Agricultural Cooperative Credit Societies in India, Book Rays Publishers, New Delhi, p.36.

The U.P. Cooperative Bank Limited, Lucknow issues shares to the State Government, Central/District Cooperative Banks and as well as the members of the society.<sup>1</sup> The value of share is generally Rs.100/-.<sup>2</sup> To attract and with the faith of creditors and depositors, a substantial paid up share capital is essential. The bank receives contribution for its share capital from State Government also.

The share capital constitutes the basic source of the working capital of U.P. Cooperative Bank. The bank with a view to attain a self-reliant position, attaches great significance to a continuous increase in the share capital. To achieve this objective, the bank has been following a policy of linking the share holding of District/Central Cooperative Banks to the credit limits sanctioned to them. The authorized capital of the bank is Rs.7.00 crores.

The overall position regarding share capital of State Cooperative Bank Uttar Pradesh is shown in the following table:

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1. Quoted from the Bye-laws of State Cooperative Bank, U.P. p.:
  2. Quoted from the Bye-laws of State Cooperative Bank, U.P., p.12.

TABLE NO. 1

Showing the Share Capital of U.P. State  
Cooperative Bank Limited, Lucknow

(Rs.in lakhs)

Years	Share Capital			Total
	State Government	District Coop.Bank	Others	
1970-71	47.20	358.27	36.74	442.21
1971-72	62.20	358.76	36.31	457.27
1972-73	162.20	374.84	35.31	572.35
1973-74	162.20	387.29	35.33	584.82
1974-75	172.20	397.72	35.52	605.44
1977-78	202.20	627.28	40.29	869.77
1978-79	202.20	739.34	17.12	958.66
1979-80	202.20	852.80	40.26	1095.26
1980-81	202.20	1014.36	41.26	1257.82
1981-82	156.94	1218.89	40.30	1416.13
1982-83	153.72	1378.43	49.30	1581.45
1983-84	142.00	1592.88	49.27	1784.15
1984-85	130.50	1668.99	49.01	1848.50
1985-86	130.50	1778.79	49.00	1958.29
1986-87	130.50	1820.73	49.00	2000.23
1987-88	87.00	1006.33	49.78	2143.11
1988-89	87.00	2302.74	77.23	2466.97
1989-90	71.50	2508.13	106.89	2686.52

SOURCE: Annual Reports of Uttar Pradesh Cooperative Banks Limited, Lucknow for respective years.

In the table, the position of share capital of U.P. Cooperative Bank and as well as the contribution of State Government, District/Central Cooperative Banks and other societies in the share capital of the bank has been shown since 1970 onwards. It is revealed from the table that during the year 1970-71, the total share capital of U.P. Cooperative Bank was Rs.442.21 lakhs having a contribution of Rs.47.20, Rs.358.27 and Rs. 36.74 lakhs from State Government, District/Central Cooperative Banks and other societies respectively and it increased to Rs.457.27 lakhs in the next year i.e. 1971-72. The contribution of State Government increased by Rs. 15 lakhs and a slight improvement is shown in the contribution of District/Central Cooperative Banks. However, the contribution of other societies decreased to Rs. 43 lakhs. During the year 1972-73, the total share capital of the bank rose to the tune of Rs.572.35 lakhs. It increased by Rs. 115.08 lakhs as against the previous year 1971-72. The contribution of State Government increased upto one crore during next year. The contribution of district Central Cooperative Banks also increased but the contribution of other societies decreased to Rs. 35.31 lakhs.

The share capital of bank increased to the tune of Rs. 584.82 lakhs during the year 1973-74 due to the reason that the share of District/Central Cooperative Banks was increased by Rs. 12.45 lakhs during the year. It went up to Rs. 605.44 lakhs during next year i.e. 1974-75 with an increase of Rs. 10 and 10.48 lakhs in the share of State Government and Distt/Central Cooperative Banks respectively during the year. During the year 1977-78, the share capital went up so much high than that of 1974-75 and increased to Rs. 869.77 lakhs with a total increase of Rs. 264.33 lakhs. During the year, the share of State Government, District Central Cooperative Banks and other societies increased by Rs. 30, Rs. 229.56 and Rs. 4.77 lakhs respectively. It increased to Rs. 958.66 lakhs next year with an increase of Rs. 112.06 lacks in the share of District Central Cooperative Banks. However, the position of share of other societies was unsatisfactory as it came down to Rs. 17.12 lakhs as against Rs. 40.29 lakhs in the previous year. It increased during the next year upto Rs. 1095.26 lakhs. The share of other societies again rose to Rs. 40.26 lakhs as against the total of Rs. 17.12 lakhs of previous year. During the year 1980-81 it increased to Rs. 1257.82 lakhs with an improvement of Rs. 161.56 lakhs in the contribution of



District Central Cooperative Banks. The share of State Government decreased by Rs. 45.26 lakhs during the year 1981-82 and resultantly the total came down to Rs.156.94 lakhs as against a contribution of Rs.202.20 lakhs during previous year but on the other hand, the share of District Central Cooperative Banks increased by Rs.204.53 lakhs and the total share capital of the bank come to Rs.1416.13 lakhs with an improvement of Rs. 158.31 lakhs as compared to the previous year. The share of State Government agains decreased to Rs.153.72 lakhs but the share of District Central Cooperative Banks and other societies increased upto Rs. 1378.43 and Rs. 49.30 lakhs respectively during the year 1982-83. As a result, the total rose to Rs. 1581.45 lakhs with an improvement of Rs. 165.32 lakhs as compared to the previous year.

During the year 1983-84, the share capital of Bank increased to Rs. 1784.15 lakhs with an increase of Rs.214.45 lakhs. However, the State Government's contribution further decreased to Rs. 142.00 lakhs. The contribution of State Government further decreased to Rs. 130.50 lakhs during next year i.e. 1984-85 and remained the same till 1986-87 and it further decreased to Rs. 87.00 lakhs. The position

of other societies was almost the same till 1987-88. As far as the question of District Central Cooperative Bank's contribution is concerned, there is a regular improvement in its position as shown in the concerned table. The share capital of State Cooperative Bank increased to Rs. 1848.50, Rs. 1958.29, Rs. 2000.23 and Rs. 2143.11 lakhs during the years 1984-85, 1985-86, 1986-87 and 1987-88 respectively. The share capital of the bank went up Rs. 2466.97 lakhs during the next year i.e. 1988-89 and it further increased to Rs. 2686.52 lakhs during the year 1989-90 which is satisfactory.

Share Capital of State Cooperative Banks  
and Government contribution at India Level:

As far as the question of the share capital of all the State Cooperative Banks of India is concerned, the position of share capital of State Cooperative Banks India, contribution of Government and percentage of share of Government has been shown in the following tables.

It is clear from the table No. 2 that share capital of all State Cooperative Banks was Rs. 18.2 crores during the year 1960-61 having a contribution of Rs. 6.5

TABLE NO. 2

Showing the total share Capital of State  
Cooperative Banks and the Contribution of  
the Government at India Level.

Year	Amount of Share Capital (in crore) of U.P. Coop. Bank - Rs	Contribution of Govt. (in crore) Rs.	Percentage Share of Government Rs.
1960-61	18.2	6.5	35.7
1965-66	28.8	9.9	34.4
1973-74	54.5	19.7	36.2
1977-78	77.2	19.7	25.5
1984-85	136.3	26.2	19.2
1987-88	178.7	31.6	17.7

SOURCE: Compiled by the author on the basis of  
Annual Reports of Uttar Pradesh State  
Cooperative Banks & Data series of State  
Cooperative Banks published by N.C.U.I.,  
New Delhi for the years 1960-1988.

crores by the Government. It was 35.7 per cent of total share capital. During the period 1965-66, the share capital of the Banks went up to Rs. 28.8 crores and contribution of the Government was also increased to Rs. 9.9 crores but as a whole the percentage of its share decreased to 34.4 per cent as against 35.7 per cent in 1960-61. The share capital further increased during the year 1973-74 to Rs. 54.5 crores with a contribution of Rs. 19.7 crores from Government and it was 36.2 per cent of total share capital. The share capital further improved and reached Rs. 77.2 crores during the year 1977-78 with a contribution of Rs. 19.7 crores from Government but percentage decreased and came down to 25.5 percent. During the year 1984-85 the share capital increased to Rs. 136.3 crores with an improved contribution of Rs. 26.2 crores from Government but the proportionate position decreased to 19.2 per cent. During the year 1987-88, banks raised their contribution upto Rs. 178.7 crores. The Government contributed Rs. 31.6 crores in the same year and it was 17.7 per cent of total share capital.

From the table No. 2 it can be read that the share capital of State Cooperative Banks improved regularly and

the contribution of the Government also increased but as far as the question of percentage of Government in total share capital is concerned, it is not satisfactory as it came down regularly.

Contribution of Uttar Pradesh State  
Cooperative Banks in total Share Capital  
of Indian State Cooperative Banks:

As regards the contribution of Uttar Pradesh State Cooperative Bank in the total share capital of India, it is seen in table No. 3.

It is shown in the above table that the amount of share capital of Uttar Pradesh State Cooperative Bank was Rs. 4.03 crores out of a total share capital of Rs. 28.8 crores for the year 1965-66. It was 13.99 per cent of total share capital. During the period 1973-74 the contribution of Uttar Pradesh State Cooperative Bank went up to Rs. 6.00 crores and total share capital increased to Rs. 54.5 crores but as a whole the percentage of share of Uttar Pradesh State Cooperative bank came down to 11 per cent. During the year 1977-78, the total share capital and contribution

TABLE NO. 3

Showing the Share Capital of State Cooperative Banks, India, and Uttar Pradesh Bank as well as percentage of Uttar Pradesh Cooperative Banks Share Capital

(In crores)

Year	Amount of total Share Capital of State Coop. Banks India-Rs.	Amount of Share Capital of U.P. State Coop. Bank -Rs.	Percen- tage
1965-66	28.8	4.03	13.99
1973-74	54.5	6.00	11.00
1977-78	77.2	9.00	11.65
1984-85	136.3	18.00	13.20
1987-88	178.7	21.00	11.75

SOURCE: Compiled by the author on the basis of Annual Reports of Uttar Pradesh State Cooperative Banks & Data series of State Cooperative Banks published by N.C.U.I., New Delhi for the years 1960-1988.

of Uttar Pradesh State Cooperative Bank were Rs. 77.2 crores and 9.00 crores respectively. The percentage of share of Uttar Pradesh State Cooperative Bank was 11.65 per cent. During the year 1984-85 the share of Uttar Pradesh State Cooperative Bank increased to 13.20 per cent more than that of 1977-78. The percentage of share of Uttar Pradesh State Cooperative Bank decreased further and came down to 11.75 per cent. As per table, the amount of share capital of Uttar Pradesh State Cooperative Bank went up year by year and increased to Rs. 21.00 crores in the year 1987-88 as against Rs. 4.03 crores in the year 1965-66.

#### Owned Funds:

The Uttar Pradesh State Cooperative Bank has various types of reserve funds, reserves for bad and doubtful debt, agricultural credit stabilization funds and other reserves. The importance of these reserves has increased in recent years as the bank has to provide lavish credit facilities to its affiliated District Central Cooperative Banks and other societies. The Rural Credit Survey had started "As important as the need for adequate share capital is that for adequate reserves. We trust, this will engage

from time to time the most careful attention of Cooperative Departments and of the Directorate of State and Central Bank."

Besides, of the above mentioned reserves, the special fund out of its profits, viz., investment depreciation fund, dividend equalization fund, building fund and linking fund etc. may also be kept as reserves.<sup>1</sup>

The position of owned fund of Uttar Pradesh State Cooperative Bank is shown in table No. 4 since 1960-61 onward.

It is clear from the table that the owned funds of Uttar Pradesh State Cooperative Bank during the year 1960-61 was Rs. 335.07 lakhs. It includes Rs. 270.55 lakhs of paid up share capital, Rs. 25.97 lakhs of statutory reserves, Rs. 14.00 lakhs of Reserves for bad debts, Rs. 2.13 lakhs of Agricultural Credit Stabilization fund, Rs. 9.59 lakhs of building fund and Rs. 12.83 lakhs of other funds. During the next year i.e. 1961-62, the owned

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1. By the courtesy of Manager, Uttar Pradesh State Cooperative Bank Limited, Lucknow.



TABLE NO. 4

Showing the position of owned-funds of Uttar Pradesh State  
Cooperative Bank, Lucknow

(Rs. in lakhs)

Year	Paid up share Capital	Statutory reserves	Reserves for Bad Debts	Agricultural Credit stabl lization	Building Fund	Other Funds	Total
1960-61	270.55	25.97	14.00	2.13	9.59	12.83	335.07
1961-62	329.09	33.96	18.51	3.27	9.59	15.31	409.73
1962-63	344.18	45.02	23.61	4.72	10.59	16.50	444.62
1963-64	389.46	57.67	30.01	6.48	9.59	19.30	512.51
1964-65	402.06	70.93	35.86	10.00	9.50	17.93	546.37
1965-66	403.48	79.48	39.22	15.13	9.59	19.43	566.33
1966-67	413.87	79.48	39.22	127.86	9.59	20.46	690.48
1968-69	435.23	106.85	71.69	195.32	9.59	22.70	841.38
1969-70	442.17	120.85	83.31	232.07	9.59	23.89	911.88
1970-71	442.21	130.53	70.78	257.55	9.59	25.39	936.05
1971-72	457.27	139.91	76.40	300.45	11.31	25.22	1,010.56
1972-73	572.35	149.90	72.71	331.86	14.59	26.92	1,186.33
1973-74	584.82	163.92	73.96	347.33	14.59	27.66	1,212.28
1974-75	605.44	182.47	82.82	407.00	14.59	27.83	1,320.15
1977-78	-	-	-	-	-	-	1,856.26
1978-79	-	-	-	-	-	-	2,496.17
1979-80	-	-	-	-	-	-	3,305.46
1980-81	-	-	-	-	-	-	4,035.15
1981-82	-	-	-	-	-	-	4,628.96
1982-83	-	-	-	-	-	-	5,396.69
1983-84	-	-	-	-	-	-	6,548.68
1984-85	-	-	-	-	-	-	6,887.61
1985-86	-	-	-	-	-	-	7,347.24
1986-87	-	-	-	-	-	-	7,646.14
1987-88	-	-	-	-	-	-	7,844.93
1988-89	-	-	-	-	-	-	8,320.12
1989-90	-	-	-	-	-	-	8,929.48

SOURCE: Annual Reports of Uttar Pradesh State Cooperative Bank  
for the respective years.

funds of the Bank increased to the tune of Rs. 409.73 lakhs. There is an improvement of Rs. 74.66 lakhs over the previous year. The paid up share capital increased this year upto Rs. 329.09 lakhs as against the amount of Rs. 270.55 lakhs for the previous year and it increased by an amount of Rs. 58.54 lakhs. The statutory reserves also increased upto Rs. 33.96 lakhs and there is an improvement of Rs. 7.99 lakhs as compared to the last year. The Bank improved the position of reserves kept for bad as it went upto Rs. 18.51 lakhs as against a figure of Rs. 14.00 lakhs of previous year. As far as the question of agricultural Credit stabilization fund is concerned, it increased to Rs. 3.27 lakhs. The building fund remained the same. The bank further improved its position during the year 1962-63 and raised its owned funds to Rs. 444.62 lakhs with an improvement of Rs. 34.89 lakhs over the last year. The paid up share capital rose to Rs. 344.18 lakhs as against a figure of Rs. 329.09 lakhs of previous year. The statutory reserves, reserves for bad debts, agricultural stabilization funds, building funds and other funds also increased to Rs. 45.02, Rs.23.61, Rs. 4.72, Rs.10.59 and Rs. 16.50 lakhs respectively. During the year 1963-64,

the owned funds increased upto an amount of Rs. 512.51 instead of Rs. 444.62 for the previous year. The paid up share capital of the bank increased to Rs. 389.46 lakhs and there is an improvement of Rs. 45.28 lakhs as against the last year. The position of statutory reserves also increased and it reached to Rs. 57.67 lakhs with an improvement of Rs. 12.65 lakhs over the previous year. The agricultural credit stabilization funds also went up to Rs. 6.48 lakhs as against Rs. 4.72 lakhs of previous year but the amount of building funds decreased to Rs. 9.59 lakhs from Rs. 10.59 lakhs. There is a short-fall of Rs. 1.00 lakhs in comparison of last year. However, the position of other funds improved and reached to Rs. 19.30 lakhs during the year with an improvement of Rs. 2.80 lakhs. The owned funds of the bank also improved during the year 1964-65 and its figures reached to Rs. 546.37 lakhs. There is a difference of Rs. 33.86 lakhs. The paid up share capital also improved and it reached to the tune of Rs. 402.06 lakhs against a figure of Rs. 389.46 lakhs for the previous year. There is an improvement of Rs. 12.60 lakhs. There is also an improvement of Rs. 13.26 lakhs in the position of statutory reserves. The reserves for bad debts also improved by

Rs. 5.85 lakhs during the year. The bank improved its Agricultural Credit stabilization funds by Rs. 3.52 lakhs but the amount of other funds reduced by Rs. 1.37 lakhs in comparison to the previous year. During the year 1965-66, the owned funds increased to Rs. 566.33 lakhs. There is an improvement of Rs. 19.96 lakhs over the last year. During the period, the other funds further increased and it reached to Rs. 19.43 lakhs as against a figure of Rs. 17.93 lakhs of previous year. A slight improvement may be seen from the table but it is not satisfactory position. During the year 1966-67, the position of owned funds went up satisfactorily and reached to Rs. 690.48 lakhs with an improvement of Rs. 124.15 lakhs. The paid up share capital went up to Rs. 413.87 lakhs as against Rs. 403.48 lakhs for the previous year. There seems to a great improvement in the position of Agricultural Credit stabilization funds as it increased to Rs. 127.86 lakhs as against a meagre amount of Rs. 15.13 lakhs for the previous year. This improvement was due to the reason that an additional amount of Rs. 112.50 lakhs was provided by the Government, during the year for betterment of Agricultural Credit stabilization funds. During the period 1968-69, the owned funds of the bank was Rs. 841.38

lacks, there was an improvement of Rs. 150.90 lacks over the year 1966-67. The paid up share " capital rose to Rs. 435.23 lacks as against a total of Rs. 413.87 lacks. The statutory reserves increased to Rs. 106.85 lacks instead of Rs. 79.48 lacks. The reserves for bad debts increased to Rs. 71.69 lacks as against of Rs. 39.22 lacks. The Agricultural Credit stabilization funds also increased to Rs. 195.32 lacks as against Rs. 127.86 lacks. The bank further improved its owned funds during the year 1969-70 to Rs. 911.88 lacks with an improvement of 70.50 lacks over the last year. The paid up share capital of the bank moved to Rs. 442.17 lacks with an improvement of Rs. 6.94 lacks. There is a difference of Rs. 14.00 lacks between the figure of statutory reserves for the current and previous year having upward trend. The position of reserves for bad debts, agricultural stabilization funds and as well as other funds also improved and these reserves reached Rs. 83.31, Rs. 232.07 and Rs. 23.89 lacks respectively.

The owned funds of the bank further improved and increased to Rs. 936.05 lacks during the year 1970-71. The

statutory reserves went upto Rs. 130.53 lacks as against a figure of Rs. 120.85 lacks for the previous year with an improvement of Rs. 9.68 lacks. However, on the other hand the figure of reserves for bad debts come down to Rs. 70.78 lacks as against Rs. 83.31 lacks of previous year., but the position of Agricultural Credit stabilization funds rose to Rs. 257.55 lacks against Rs. 232.07 lacks for last year. The position of other funds also improved slightly and went up to Rs. 25.39 lacks as against Rs. 23.89 for the previous year. During the year 1971-72, the funds further increased to Rs. 1010.56 as against a figure of Rs. 936.05 lacks for the previous year. There seems an improvement of Rs. 74.51 lacks over the last year. The paid up share capital of the bank increased to Rs. 457.27 lacks instead of Rs. 442.21 lacks of previous year with an improvement of Rs. 15.06 lacks. As far as the question of statutory reserves is concerned, it increased to Rs. 139.91 lacks against the figure of Rs. 130.53 for the previous year and it improved by an amount of Rs. 9.38 lacks as compared to the previous year. The reserves for bad debt increased to Rs. 76.40 lacks during the year with an improvement of

Rs. 5.62 lacks. The position of Agricultural stabilization fund also improved and it increased to Rs. 300.45 lacks as against a figure of Rs. 257.55 lacks in the previous year. The building fund also increased to Rs. 11.31 lacks as against Rs. 9.59 lacks of previous year. However, the position of other funds decreased and it came down to Rs. 25.22 lacks as against the figure of Rs. 25.39 lacks for previous year. The position of owned funds of the bank further improved during the year 1972-73, and it moved to Rs. 1168.33 lacks with an improvement of Rs. 157.77 lacks during the year. The paid up share capital increased to Rs. 572.35 lacks as against Rs. 457.27 of previous year. There is an improvement of Rs. 115.08 lacks as compared to the previous year. The statutory reserves also increased to Rs. 149.90 lacks as against Rs. 139.91 lacks with an improvement of Rs. 9.99 lacks over the last year. But the amount of reserves for bad debts decreased to Rs. 72.71 lacks as against a figure of Rs. 76.40 lacks for the previous year. There is a short fall of Rs. 3.69 lacks., and there is slight improvement in the position of Agricultural Credit

stabilization funds, building funds and other funds respectively. During the year 1973-74, the owned funds increased to Rs. 1212.28 lacks. There is an improvement of Rs. 4395 lacks over the previous year. The paid up share capital increased by Rs. 12.47 lacks and statutory reserves by Rs. 14.02 lacks. The position of reserves for bad debts improved by Rs. 1.25 lacks. The funds for agricultural credit stabilization also increased by an amount of Rs. 15.47 lacks and with a slight improvement in the position of other funds. During the year 1974-75, the total improved to Rs. 1320.15 lacks as against a figure of Rs. 1212.28 lacks for the previous year. There is an improvement of Rs. 107.87 lacks over the last year. The paid up share capital increased to the tune of Rs. 605.44 lacks while it was Rs. 584.82 lacks during previous year. It is higher by an amount of Rs. 20.62 lacks.

The statutory reserves also improved and reached Rs. 182.47 lacks as against Rs. 163.92 lacks of previous year with an improvement of Rs. 18.55 lacks. The bank also



raised reserves for bad and doubtful debts to Rs. 82.82 lacks instead of Rs. 73.96 lacks fixed for last year. Agriculture Credit stabilization funds went up to Rs.407.00 lacks with a margin of Rs. 59.67 lacks.

The table explains that the bank has shown the consolidated figure of total owned funds in its annual report since 1977-78 and onwards. Therefore, we can discuss total amount of owned funds of the bank. During the year 1977-78, the amount increased to Rs. 1856.26 lacks as against a figure of Rs. 1320.15 lacks for the last year. It has an improvement of Rs. 536.11 lacks as compared to the previous year and it further increased to Rs. 2496.17 lacks during the year 1978-79 having an increase of Rs. 639.91 lacks. The position of funds improved year by year and it was Rs. 7646.14 lacks and Rs. 7844.93 lacks in the years 1986-87 and 1987-88 respectively. The owned funds of the bank increased to Rs. 8320.12 lacks during the year 1988-89 and it again went up to Rs. 8929.48 lacks during next year. In this way the bank raised Rs. 609.36 lacks over the last year's figure which is about 7.32 per cent

improvement as compared to last year.

It is evident from the above table that owned funds of bank have constantly been increasing from year to year so much so that they have increased from a figure of 335.07 lacks in 1960-61 to Rs. 8,929.48 lacks in 1989-90.

This increase in the owned funds of the bank was partly due to appropriation, towards statutory reserves and the other funds out of the profits and partly due to subsidies and loans received from the Government for strengthening the agricultural credit (stabilization) funds of the bank.

#### Deposits:

Deposits constitute another important source of funds to meet the requirement of short term credit. Deposits are accepted from members as well as non-members and form an important constituent of the working capital of the Bank. The mobilization of rural savings and as well as

urban deposits is one of the main functions of the State Cooperative Banks. They tap deposits from both rural and urban areas to enable them to provide maximum funds to member Cooperative Societies and as well as to Central Cooperative Banks and hence there should be made all possible efforts to mobilize deposits from members and non-members to decrease dependency on borrowings obtained from outside.

Deposits are the main source of the State Cooperative Banks. The Bank aims at or should aim at mobilizing deposits from the public to the maximum possible extent. The Uttar Pradesh State Cooperative Bank accepts various kinds of deposits through about 27 branches spread over the whole of the State. The rate of interest on deposits offered by the Bank continues to be on par with those offered by commercial banks in the country. In the content of the ever increasing responsibilities on the Bank pertaining to financial needs of various types of Cooperative institutions in the State, the deposit mobilization assumes special significance as a measure of self-reliance.

TABLE NO. 5

Showing the position of Type-wise Deposits of  
Uttar Pradesh Cooperative Bank Limited, Lucknow

(Rs. in lakhs)

Year	Time Deposits			Demand Deposits			Total (Time Deposits+Demand Deposits)
	Societies	Individuals	Total	Societies	Individuals	Total	
1970-71	1184.28	696.62	1880.90	539.09	361.44	900.53	2781.43
1971-72	1637.43	643.95	2181.38	455.28	382.05	837.33	3018.71
1972-73	2256.89	593.66	2850.55	587.33	730.61	1317.94	4168.49
1973-74	2826.91	670.51	3497.42	626.78	780.59	1407.37	4904.79
1974-75	3698.49	639.48	4337.97	465.80	713.49	1179.29	5517.26

SOURCE: Annual Reports of Uttar Pradesh Cooperative Bank  
for respective years.

The over all position of deposits of Uttar Pradesh State Cooperative Bank from 1970 to 1975 may be seen from the table No. 5.

It is evident from the study of the table No.5 that both time and demand deposits have shown an upward trend. But the rise in time deposits was more conspicuous than the rise in demand deposits as the demand deposits showed a down ward trend in the year 1971-72 and 1974-75. An analysis of ownership of the deposits shows that a very large proportion of deposits in the Bank is received from Cooperative Societies and deposits from individuals formed only small part of the total deposits. Therefore, the prime concern of the U.P. Cooperative Bank should be to concentrate its attention on raising volume of deposits from individuals both long and medium term by formulation of attractive new schemes as have been devised by the commercial banks. The task increasing deposits by the Bank has assumed added significance in the context of the need for extending credit facilities for the weaker sections of the society. The proportion of deposits to working capital

which was 40.59 per cent on June 30, 1971 increased to 52.03 per cent as on June 30, 1975.

The position of the Bank deposits for the period from 1970 to 1975 is shown in table No. 5. The deposits are divided into Time Deposits and Demand Deposits system received from societies and as with from Individuals but the system of the bank changed later on and the Bank now is accepting the deposits into following sub-heads of accounts:

- 1) Current Deposits
- 2) Call and Short-term Deposits
- 3) Fixed Deposits
- 4) Saving Bank Deposits.

The progress of the Bank in regard to Deposits position is shown in the following table:

TABLE No 6

Showing the position of various kinds  
of deposits of Uttar Pradesh Cooperative  
Bank, Limited, Lucknow, for the period  
from 1977-78 to 1987-88

Year	Current Deposits	Call and short- term Deposits	Fixed Deposits	Saving Bank Deposits	Total
1977-78	1,029.89	328.75	8,699.25	1,815.14	11,873.03
1978-79	1,589.33	463.76	9,407.04	1,542.20	13,002.33
1979-80	2,040.92	2122.61	9,748.15	2,038.73	15,950.41
1980-81	3,042.72	3358.78	10,840.07	2,352.96	19,594.53
1981-82	3,278.64	5513.18	11,756.14	2,563.81	23,111.77
1982-83	3,620.54	6046.84	13,287.86	2,582.76	25,538.00
1983-84	4,366.10	7347.33	15,950.15	2,796.70	30,460.28
1984-85	5,828.08	7852.27	17,479.13	2,854.23	34,013.71
1985-86	6,727.98	8764.71	20,103.82	3,378.53	38,975.04
1986-87	5,013.17	12979.10	22,653.47	3,501.95	44,147.69
1987-88	4,936.44	18643.67	25,939.41	3,698.35	53,217.87
1988-89	6,806.08	13882.94	27,961.58	4,101.51	52,752.11
1989-90	5,392.10	20651.55	37,940.65	5,578.38	69,562.68

Source:- Annual Reports of Uttar Pradesh Cooperative Bank Limited, Lucknow for respective years.

As evident from the table No. 6 the total deposits of the bank was Rs. 11,873.03 lacks during the year 1977-78 including an amount of Rs. 1,029.89, Rs. 328.75, Rs. 8,699.25 and Rs. 11815.14 lacks of current deposits, calls and short term deposits, fixed deposits and saving bank deposits respectively. During the next year, it increased to Rs. 13,002.33 lacks as against a total of Rs. 11873.03 lacks in the previous year. There is an increase of Rs. 1129.30 lacks over the last year. The current deposits rose to Rs. 1589.33 lacks and it increased by an amount of Rs. 559.44 lacks. The call and short term deposits increased by Rs. 135.01 lacks and went up to Rs. 463.76 lacks. Fixed deposits also increased to Rs. 9407.04 lacks as against a total of Rs. 8699.25 lacks for the last year. There is an increase of Rs. 707.79 lacks over the last year. The deposits increased to 15950.41 lacks during the year 1979-80 as against a total of Rs. 13002.33 lacks of last year. There seems a progress of Rs. 2948.08 lacks as compared to the previous year. The amount of current deposits increased to Rs. 2040.92 lacks as against a total of Rs. 1589.33 for the previous year. There is an improvement



of Rs. 451.59 lacks. The call and short term deposits improved in a good position as it reached Rs. 2122.61 lacks against Rs. 463.76 lacks for the last year. It increased by an amount of Rs. 1658.85 lacks during the year and fixed deposits also increased to Rs. 9748.15 lacks having a progress of Rs. 3411.11 lacks. The saving bank deposits also again increased to Rs. 2038.73 lacks as it decreased in the previous year to Rs. 1542.20 against a total of Rs. 1815.14 lacks for the year 1977-78. The total deposits during the year 1980-81 rose to Rs. 19594.53 lacks including Rs. 3042.72, Rs. 3358.78, Rs. 10840.67 and Rs. 2352.96 lacks of current deposits, call and short term deposits, fixed deposit and saving bank deposits respectively. There is an increase of Rs. 3644.12 lacks. During the year 1981-82, the deposits of the bank increased to Rs. 23111.77 lacks as against a figure of Rs. 19594.53 lacks for last year. This increased by an amount of Rs. 3517.24 lacks during the year. The current deposit rose to Rs. 3278.64 lacks and it increased by an amount of Rs. 235.64 lacks and it increased by an amount of Rs. 235.92 lacks as compared to the previous year. The call and short term

deposit went up to Rs. 5513.18 lacks with an improvement of Rs. 2154.44 lacks as compared to the previous year. The amount of fixed deposits was Rs. 11756.14 lacks during the year. It improved by Rs. 916.07 lacks. The figure of saving bank deposits moved to Rs. 2563.81 lacks as against a figure of Rs. 2352.96 lacks of last year. The position of various kinds of deposits further improved and reached the tune of Rs. 25538 lacks during the year 1982-83 as against Rs. 23111.77 lacks of previous year. The current deposits went up to Rs. 3620.54 lacks during the year having an improvement of Rs. 342.4 lacks. The call and short term deposits increased to Rs. 6046.84 lacks as against a figure of Rs. 5513.18 of previous year. The fixed deposits increased to Rs. 13287.86 lacks which improved by an amount of Rs. 1531.72 lacks, Saving Bank Deposits have unsatisfactory position. However, there is an over all improvement of Rs. 2426.23 lacks which is 10.50 per cent improvement over the previous year. During the year 1983-84, the total deposits increased to 30,460.28 lacks with the improvement of about Rs. 4922.28 lacks. This improvement is about 19.27 per cent over the last year.

During the year the current deposits increased by Rs. 745.56 lacks, call and short term deposits increased by an amount of Rs. 1300.49 lacks, fixed deposits went up by Rs. 2662.29 lacks and saving bank deposits increased by an amount of Rs. 213.94 lacks. The deposits increased to Rs. 34013.71 lacks during the year 1984-85 as against a total figure of Rs. 30460.28 lacks. There is an improvement of Rs. 3553.43 lacks which is 11.67 per cent improvement over the last year. During the year 1985-86, the Deposits moved to Rs. 38,975.04 lacks. There is an improvement of Rs. 4961.33 lacks. The progress during the year was about 14.59 per cent. During the next year it reached Rs. 44147.69 lacks. Thus it improved by Rs. 5172.65 lacks with 13.27 per cent increase over the last year. The deposits further increased to Rs. 53217.87 lacks during the year 1987-88 as against Rs. 44147.69 lacks of previous year. It increased by Rs. 9070.18 lacks which improved @ 20.54% and it is higher about 7.27 per cent than that of last year. The deposits during the year 1988-89 of the bank was Rs. 52,752.11 lacks and it increased to the tune of Rs. 69,562.68 lacks during next year i.e. 1989-90. It increased by an amount of Rs.16810.5 lacks as compared to the previous year and which was about 31.86 per cent improvement in comparison to the last year.

The Share of Uttar Pradesh Cooperative Bank in total deposits of state cooperative banks, India:

We have discussed about deposits position of U.P. State Cooperative Bank in above paragraph. In addition to above discussion it is also necessary to show the contribution of this Bank in total deposits of State Cooperative Banks at India level so that an over all position of its progress may be known.

The following table indicates the position since 1960-61.

The table indicates that total deposits of Indian State Cooperative Banks were Rs. 1.12 billions during the year 1960-61 (Second Plan) and Rs. 0.094 billions was the share of Uttar Pradesh Cooperative Bank in this amount. The share of Uttar Pradesh State Cooperative Bank in this amount was 14.7 per cent. During the year 1965-66 (Third Plan) the total deposits increased to Rs. 2.366 billions and share of Uttar Pradesh State Cooperative Bank also increased to Rs. 0.189 billions during the period. However,

TABLE NO. 7

Showing the total deposits of State Cooperative Banks,  
India and U.P. State Cooperative Bank Limited,  
Lucknow and as well as the percentage of  
Share of U.P. State Cooperative Bank's  
total deposits

Year	Total deposits of S.C.Bs India	Deposits of U.P.S.C. Bank	Percentage of share of U.P.S. C.B. in total deposits
1960-61	1.12	0.094	14.7
1965-66	2.366	0.189	14.1
1973-74	7.186	0.698	10.0
1977-78	13.766	1.452	11.8
1984-85	43.224	3.889	11.5
1987-88	71.485	6.006	12.8

Source: Compiled by the author on the basis of data series of State Cooperative Banks, India published by NCUI, New Delhi for the year 1960-88

the percentage of share of Uttar Pradesh decreased to 14.1 per cent from 14.7 per cent. The percentage of share

of Uttar Pradesh State Cooperative Bank further decreased to 10 per cent during 1973-74 (Fourth Plan), as is cleared from the table. However, the amount of share of Uttar Pradesh in total deposits increased to Rs. 0.698 billions. During the period 1977-78 (Fifth Plan) there is some improvement in the percentage of share of Uttar Pradesh as it reached 11.8 per cent and its amount increased to Rs. 1.452 billions. The amount of State Cooperative Banks, reached Rs. 13.766 billions. The amount of total deposits at India level grew upto Rs. 43.224 billions during 1984-85 (Sixth Plan) and the share of Uttar Pradesh State Cooperative Bank was Rs. 3.889 billions in the same. As far as the percentage of share of U.P. State Cooperative Bank is concerned, the percentage once further decreased to 11.5 per cent during the period. The amount of State Cooperative Banks, India as well as U.P. State Cooperative Bank increased to Rs. 71.485 and Rs. 6.006 billions respectively during the period 1987-88 (Seventh Plan). The percentage of share of U.P. State Cooperative Bank also increased to 12.8 per cent during the period. As far as the question of progress of U.P. State Cooperative Bank in regard to deposits is concerned, the Bank should improve its position.

Borrowings:

In addition to share capital, deposits and reserves, borrowings from other agencies, such as loans from National Agricultural and Rural Development Bank, State Government, State Bank of India, Agricultural Refinance Corporation and National Cooperative Development Corporation also constitute an important source of working capital of U.P. State Cooperative Bank Ltd., Lucknow. The main source of Uttar Pradesh Cooperation Bank is the National Agricultural and Rural Development Bank for the bulk of its borrowings.<sup>1</sup> However, before the inception of Nabard, the Reserve Bank of India was the main source for borrowings of all State Cooperative Banks but at present, the Nabard is providing same facility in place of Reserve Bank of India. The limits of borrowings for banks generally depend upon its reserves funds and paid up capital. These limits have been raised from time to time by the Reserve Bank of India for providing required borrowings so that the affiliated Banks and societies may be benefitted

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1. By the courtesy of Manager, Uttar Pradesh Cooperative Bank, Limited, Lucknow.

to the maximum possible extent, as the Reserve Bank of India advances credit facilities to Cooperative Bank through Nabard at the concessional rate of interest.

The year-wise position of borrowings, Uttar Pradesh Cooperative Bank Limited, Lucknow may be seen from the following table.

It is revealed from the above table that the amount of borrowings of Uttar Pradesh Cooperative Bank Limited, Lucknow was Rs. 2944.89 lacks during the year 1970-71. This amount includes Rs. 2592.01 and Rs. 352.88 lacks of Reserve Bank of India and State Government respectively. During the year 1971-72, the total amount decreased to Rs. 2930.25 lacks. It is low by an amount of Rs. 14.64 lakhs as compared to the previous year. During the period the amount taken from Reserve Bank of India was Rs. 2041.94 lacks while it was Rs. 2592.01 lacks during preceding year. There was a decrease of Rs. 550.07 lacks. However, the amount from State Government was taken more than that of previous years as it was Rs. 840.92 lacks while it was



TABLE NO. 8

Showing the position of Borrowings of Uttar Pradesh  
Cooperative Bank Limited, Lucknow

(Rs. in lakhs)

Years	Reserve Bank of India	State Govt. of India	State Bank of India Lucknow	Agricultural Refinance Corporation	National Coopera- tive Dev. Corpn.	National Bank for Agrl. & Rural Development	Others	Total
1970-71	2592.01	352.88	-	-	-	-	-	2944.89
1971-72	2041.94	840.92	0.59	46.80	-	-	-	2930.25
1972-73	2392.89	628.32	-	149.64	44.75	-	-	3215.60
1973-74	1917.80	615.12	-	138.04	80.18	-	-	2751.14
1974-75	2517.18	611.27	-	125.49	99.20	-	-	3353.14
1977-78	4009.24	255.56	-	87.84	182.76	-	-	4535.40
1979-80	6166.66	521.27	-	62.75	908.20	-	-	7658.64
1980-81	8953.94	962.71	-	50.20	1283.95	-	-	11250.80
1981-82	-	-	-	-	-	-	-	-
1982-83	-	2595.22	-	-	2560.07	12265.36	0.98	17421.63
1983-84	-	3247.67	-	-	2798.21	11870.75	-	17916.63
1984-85	-	3426.31	-	-	3889.88	10823.71	-	18139.90
1985-86	-	3758.00	-	-	4641.15	12660.74	-	21059.89
1986-87	-	2683.63	-	-	6204.51	13487.21	-	22375.35
1987-88	-	4018.02	-	-	7403.27	9587.73	672.03	21744.05
1988-89	-	3009.50	-	-	7581.15	30561.75	126.83	41279.23
1989-90	-	3565.35	-	-	7532.46	32690.05	83.19	43871.05

SOURCE: Annual Reports of Uttar Pradesh Cooperative Bank Limited,  
Lucknow for respective years.

Rs. 352.88 lacks only during previous year and it was high by an amount of Rs. 488.04 lacks. During the period the Bank also obtained amount from State Bank of India, Lucknow and Agricultural Refinance Corporation which was Rs. 0.95 and Rs. 46.80 lacks respectively. The total borrowings of the Bank was increased to Rs. 3215.60 lacks during the period 1972-73 and this amount was high by an amount of Rs. 285.35 lacks as compared to previous year. The amount taken from Reserve Bank of India further increased to Rs. 2392.89 lacks while it was Rs. 2041.94 lacks during the previous year. The amount of State Government decreased to Rs. 628.32 lacks from Rs. 840.92 lacks of last year. The amount taken from Agricultural Refinance Corporation also increased to Rs. 149.64 lacks from Rs. 46.80 lacks, figure of last year. The bank also obtained an amount of Rs. 44.75 lacks from National Cooperative Development Corporation for the first time during the year. During the year 1973-74, the bank obtained an amount of Rs. 2751.14 lacks as borrowings and this amount decreased by an amount of Rs. 464.46 lacks as compared to previous year. The amount of Reserve Bank of India decreased to Rs. 1917.80 Lacks from Rs. 2392.89 Lacks. The amount of State Government reduced to Rs. 615.12 lacks from

Rs. 628.32 lacks and the amount of Agricultural Refinance Corporation also decreased to Rs. 138.04 lacks during the last year. However the contribution of National Cooperative Development Corporation increased to Rs. 80.18 lacks as it was Rs. 44.75 lacks only during previous year. The borrowings position further improved and reached to Rs. 3353.14 lacks during 1974-75. It includes Rs. 2517.18 lacks of Reserve Bank of India, Rs. 611.27 lacks of State Government, Rs. 125.49 lacks of Agricultural Refinance Corporation and Rs. 99.20 lacks of National Cooperative Development Corporation. The amount was high by an amount of Rs. 602.00 lacks than that of previous year. The table shows that the amount of Reserve Bank of India and National Cooperative Development Corporation improved and on the other hand the amount of State Government and Agricultural Refinance Corporation decreased during the period. During the year 1977-78, the amount of borrowings was so much high in comparison to the amount for the year 1974-75 as it reached Rs. 4535.40 lacks while this amount was Rs. 3353.14 lacks during 1974-75. Thus it has an improvement of Rs. 1182.26 lacks during the period. The contribution of Reserve Bank of India increased to Rs. 4009.24 lacks from Rs. 2517.18 lacks of the year 1974-75. The contribution of

National Cooperative Development Corporation also increased to Rs. 182.76 lacks. However, the amount of State Government as well as of Agricultural Refinance Corporation decreased to great extent during the period as compared to the year 1974-75. The amount of borrowings rose to Rs. 5874.63 during the period 1978-79 with an improvement of an amount of Rs. 1339.23 lacks as compared to the previous year. The contribution of Reserve Bank of India moved to Rs. 5187.66 lacks as against a figure of Rs. 4009.24 lacks for the previous year. The contribution of State Government however, decreased to Rs. 238.77 lacks as the amount for last year was Rs. 255.66 lacks. This amount was high by an amount of Rs. 16.79 lacks. The figure for Agricultural Refinance Corporation seems lower than that of last year as it was Rs. 75.29 lacks while it was Rs. 87.84 lacks during the previous year.

The table shows great improvement in the contribution of National Cooperative Development Corporation as the share of the same went up to Rs. 372.91 lacks as against a figure of Rs. 182.76 lacks of previous year. It was high by Rs. 190.15 lacks. During the period 1979-80, the amount of Reserve Bank of India further increased and it reached

Rs. 6166.42 lacks. There was an improvement of about Rs. 978.76 lacks. The contribution of State Government also improved as it moved to Rs. 521.77 lacks from an amount of Rs. 238.77 lacks of last year. There was an improvement of Rs. 283 lacks. The amount of Agricultural Refinance Corporation further decreased to Rs. 62.75 lacks while it was Rs. 75.29 lacks during previous year. However, the contribution of National Cooperative Development Corporation increased to the great extent and it reached Rs. 908.20 lacks during the period.

In this way, it was higher by Rs. 535.29 lacks than the previous years. The total amount of borrowings was Rs. 7658.64 lacks during the period while it was Rs. 5874.63 lacks previously. The amount during the year 1980-81 increased to Rs. 11250.80 lacks with a share of Rs. 8953.94 of Reserve Bank of India, Rs. 962.71 lacks of State Government, Rs. 50.20 lacks of Agricultural Refinance Corporation, Rs. 1283.95 lacks of National Cooperative Development Corporation. There was a total improvement of Rs. 3592.16 lacks during the period as compared to the previous year.

The Government established National Bank for Agricultural and Rural Development on 12th July 1982 for providing loan facilities to Cooperative Banks in place of Reserve Bank of India. Therefore, the table does not include any contribution of Reserve Bank of India since 1982. During the year 1982-83 the amount of borrowings rose to Rs. 17421.63 lacks. There was improvement of about Rs. 6170.83 lacks as compared to the previous year. The Bank obtained loan of Rs. 2595.22 lacks from State Government. The Bank also obtained an amount of Rs. 2560.07 lacks from National Cooperative Development Corporation during the year. The Bank also obtained a loan of Rs. 12265.36 lacks from the National Bank for Agricultural and Rural Development for the first time. During the period 1983-84, the amount further increased and reached Rs. 17916.63 lacks. During the year 1984-85, the amount further increased to Rs. 18139.90 lacks which included Rs. 3426.31 lacks, Rs. 3889.88 lacks and Rs. 10823.71 lacks of State Government, National Cooperative Development Corporation and National Bank for Agricultural and Rural Development respectively. The amount increased regularly till 1986-87 but it decreased in the year 1987-88 as it came down to Rs. 21744.05 lacks while it was Rs. 22375.35 lacks during the

previous year. During the year 1988-89, the amount of borrowing of the bank increased to Rs. 41,279.23 lacks. It rose by an amount of Rs. 19535.18 lacks over the last year. It further increased and reached Rs. 43871.05 lacks. It appears from the table that there was an improvement of Rs. 2591.82 lacks as compared to the amount of previous year.

Investment of Funds:

The Uttar Pradesh Cooperative Bank Limited, Lucknow invests its surplus funds in the Central, State Government and other trustee securities and shares of Cooperative and other Institutions. The Bank also keeps a certain portion of its resources in ready cash and other readily realisable form to ensure liquidity so as to be able to meet the demand from its depositors. But an excessive liquidity will be a drain on the profits of the bank hence it has to strike a balance between liquidity and profitability.

The position of the Bank in regards to investment of funds is shown in the following table.

TABLE NO. 9

Showing the position of Investment of Funds of U.P.  
Cooperative Banks, Limited, Lucknow

Year	Central and State Govt. Securities	Debentures of Land Develop- ment Banks	Other trus- tee securi- ties	Share of Cooperative and other Institutions	Total
1	2	3	4	5	6
1969-70	320.75	384.74	38.56	17.05	761.10
1970-71	318.88	452.44	143.26	17.05	931.63
1971-72	344.12	527.95	149.79	27.04	1048.90
1972-73	337.42	531.49	149.79	28.04	1046.74
1973-74	387.42	531.30	219.73	28.05	1166.50
1974-75	535.92	594.49	254.38	33.05	1417.84
1977-78	1828.83	563.08	937.36	38.81	3368.08
1978-79	2004.18	484.37	967.36	40.81	3496.72
1979-80	2269.52	427.87	1276.11	40.81	4014.31
1980-81	3018.99	391.89	1624.16	40.81	5075.85
1981-82	3699.90	593.38	1801.16	41.81	6136.25

(Rs. in Lacks)



1	2	3	4	5	6
1982-83	3899.52	640.49	1759.30	49.31	6348.62
1983-84	4099.53	740.49	1982.77	64.41	6887.20
1984-85	4501.10	670.65	2653.47	59.91	7885.13
1985-86	4927.14	617.42	3020.46	59.51	8624.93
1986-87	5479.16	572.41	3704.15	44.91	9799.63
1987-88	5979.22	572.41	4962.15	44.91	11558.69
1988-89	7377.83	563.67	5752.15	39.91	13733.56
1989-90	9057.59	478.84	8172.15	39.91	17748.49

Source: Annual Reports of Uttar Pradesh Cooperative Bank for respective years.

The table indicates that the total investment of funds was Rs. 761.10 lacks during the financial year 1969-70 consisting upon the investment of Rs. 320.75 lacks in Central and State Government Securities, Rs. 384.74 lacks in Debentures of Land Development Bank, Rs. 38.56 lacks in other trustee securities and Rs. 17.05 lacks in share of Cooperative and other institutions. During the next year the investment rose to Rs. 931.63 lacks. There was an improvement of Rs. 170.53 lacks as compared to the previous year as it was Rs. 761.10 lacks in the last year. It is clear from the figures of table that the investment of the bank in Central and State Government securities came down to Rs. 318.88 lacks from Rs. 320.75 lacks of last year . It was lesser by Rs. 1.87 lacks than that of previous year. However, rest of of the figures leter increased or remained the same. The investment of the bank in Debentures of Land Development Banks improved and reached Rs. 452.44 lacks during the year. It improved by an amount of Rs. 67.7 lacks as compared to the previous year. The figure of investment in other trustee securities reached to the figure of Rs. 143.26 lacks during the period while it was only Rs. 38.56 lacks during the previous year. In comparison to the previous year, this

figure included Rs. 104.70 lacks more during the current year and it was a great improvement comparatively. As far as the question of investment of the bank in shares of cooperative and other institutions is concerned, the figure remained the same as in the previous year.

The bank improved the position of its investment during the year 1971-72 also. The figure of investment reached Rs. 1048.90 lacks during the year as is revealed from the table. There was an improvement of an amount of Rs.117.27 lacks compared to the previous year as it was Rs. 931.63 lacks during the previous year. The bank invested Rs. 344.88 lacks in Central and State Government, securities during the year while the bank invested Rs. 318.88 lacks during the last year for the same. In this way, the bank invested an amount of Rs. 25.24 lacks in addition to the figure of previous year. The investment of the bank in Debentures of Land Development Bank also rose during the period. It reached Rs. 527.95 lacks as against a figure of Rs. 452.44 lacks of previous year. It increased by an amount of Rs. 75.51 lacks as compared to the previous year. It was a good improvement. The bank invested Rs. 149.79 lacks in other trustee securities

during the period. While the bank invested Rs. 143.26 lacks for the same during the last year. This figure increased by an amount of Rs. 6.53 lacks. It is clear from the table that the bank raised investment in shares of Cooperative and other institutions for the first time since 1969-70 as it reached Rs. 27.04 lacks during the current year. While it was Rs. 17.05 lacks during previous years. The bank invested Rs. 9.99 lacks during this year in addition to the amount of previous years. During the year 1972-73, the investment of the bank decreased as it came down to Rs. 1046.74 lacks from a figure of Rs. 1048.90 lacks for the last year. However, there was a slight decrease as it came down by only a meagre amount of Rs. 2.16 lacks. The bank invested an amount of Rs. 337.42 lacks in the Central and State Government securities during the year. This figure was lesser by Rs. 6.7 lacks than that of previous year as the last year's figure for the same was Rs. 344.12 lacks. Therefore, the bank was not in a position to improve the investment in Central and State Government securities for the period. The bank, however, raised investment in debentures of Land Development Banks as it reached Rs. 531.49 lacks during current year while the same was Rs. 527.95 lacks last year. There was an improvement of

Rs. 3.54 lacks as compared to the last year. As far as the question of investment of the bank in other trustee securities is concerned, the position remained the same. The position of the bank in regards to the investment in shares of Cooperative's and other institutions also improved as it reached Rs. 28.04 lacks during the period while this figure was Rs. 27.04 lacks during the last year. The bank invested only an amount of one lack rupees more in addition to the figure of previous year. During the year 1973-74, the total investment of the bank was Rs. 1166.50 lacks. There was an increase of Rs. 119.76 lacks over the figure of last year as the figure of last year for the same was Rs. 1046.74 lacks. The bank invested Rs. 387.42 lacks in Central and State Government securities this year. There was an improvement of Rs. 50 lacks over the investment of last year as the investment of the bank in the same was Rs. 337.42 lacks during last year. The investment of the bank in debentures of Land Development Banks, however, remained about the same as there was a slight decrease as compared to the previous year. The bank improved its position in regard to the investment in other trustee securities during the period as the investment of the bank in the same reached Rs. 219.73 lacks as against a figure of Rs. 149.79 lacks. Therefore, there was

an improvement of Rs. 69.94 lacks during the period. As far as the question of investment in shares of Cooperative and other institutions is concerned, there was an improvement as compared to the previous year but about Zero, as the investment during the current year was Rs. 28.05 lacks while the investment of last year was Rs. 28.04 lacks. The table Indicates that the bank improved its investment during the period 1974-75 to the great extent as it increased to Rs. 1417.84 lacks from the amount of Rs. 1166.50 lacks of last year. There was a total improvement of Rs. 251.34 lacks during the year as compared to the previous year. The total investment of the bank during the last year was Rs. 1166.50 lacks. The investment of the bank went up to Rs. 535.92 lacks during the year from a total of Rs. 387.42 lacks of previous year. The bank invested an amount of Rs. 148.50 lacks in addition to the amount of investment of previous year. The bank invested Rs. 594.49 lacks in debentures of Land Development Banks during the period while the figure of last year for the same was Rs. 531.30 lacks. In this way the position improved and the amount of the year was higher by an amount of Rs. 63.19 lacks as compared to the previous year. The bank raised investment in other trustee securities this year

as compared to the last year. The bank invested Rs. 254.38 lacks in other trustee securities as against a figure of Rs. 219.73 lacks of last year. It improved by an amount of Rs. 34.65 over the last year. The investment of the bank in shares of Cooperative's and other institutions also rose as it reached Rs. 33.05 lacks from a figure of Rs. 28.05 lacks of last year. During the year 1977-78, the bank invested Rs. 3368.08 lacks in toto.

The bank invested Rs. 1828.83 lacks in Central and State Government securities, Rs. 563.08 lacks in debentures of Land Development Banks, Rs. 937.36 lacks in other trustee securities and Rs. 38.81 lacks in the shares of Cooperatives and other institutions. During the year 1978-79, the figure of investment of the bank reached Rs. 3496.72 lacks as against the figure of Rs. 3368.08 lacks of the previous year. There was an increase of Rs. 128.64 lacks over the investment of the previous year. The bank invested Rs. 2004.18 lacks in Central and State Government, securities while last year it was Rs. 1828.83 lacks. There was an improvement of Rs.175.35 lacks as compared to the last year. However, it is revealed from the table that the amount of investment in debentures

Land Development Banks decreased as it came down to Rs. 484.37 lakhs from a figure of Rs. 563.08 lakhs of last year. The amount of investment in other trustee securities and shares of Cooperatives and other institutions went up. The amount invested in other trustee securities was Rs. 967.36 lakhs during the period as against a figure of Rs. 937.36 lakhs of last year and the amount invested in the shares of Cooperatives and other institutions was Rs. 40.81 lakhs during the period while it was Rs. 38.81 lakhs last year. The investment of the bank also increased during the year 1979-80 as it rose to Rs. 4014.31 lakhs from a figure of Rs. 3496.72 lakhs of previous year. It improved by an amount of Rs. 517.59 lakhs as against the figure of previous year. The bank invested Rs. 2269.52 lakhs in Central and State Government securities during the year while this amount was Rs. 2004.18 lakhs. There was an improvement of Rs. 265.34 lakhs as compared to the previous year. The amount invested in debentures of land Development Banks decreased to Rs. 427.87 lakhs from Rs. 484.37 lakhs of previous year. The Bank raised its investment in other



trustee securities as it reached Rs. 1276.11 lacks during the year while it was Rs. 967.36 lacks during last year. There was an improvement of Rs. 308.75 lacks over the last year. As far as the question of investment in shares of cooperatives and other institutions is concerned neither there was improvement nor shortfall. However, it may be seen from the table that the over all position of investment during the year was satisfactory. During the year 1980-81, the total investment of the bank reached Rs. 5075.85 lacks over the investment of last year. The bank invested Rs. 3018.99 lacks in Central and State Government securities during the year, while last year this amount was Rs. 2269.52 lacks. There was an improvement of Rs. 749.47 lacks over the last year. However, the amount of investment of the bank reduced to Rs. 391.89 lacks from a figure of Rs. 427.87 lacks of last year. There was a down fall of Rs. 35.98 lacks as compared to the last year. The bank also raised investment in other trustee securities to Rs. 1624.16 lacks during the year. While it was only Rs. 1276.11 lacks last year. In this way, the investment of the bank in other trustee securities improved by an amount of Rs. 348.05 lacks as compared to the

last year. As regards the position of investment in the shares of cooperatives and other institutions, the position remained the same. The bank increased its investment during the year 1981-82 and it reached Rs. 6136.25 lacks. This year, there was an improvement of an amount of Rs. 1060.40 lacks over the investment of last year as it was only Rs. 5075.85 lacks during the previous year. The investment of bank in Central and State Government securities was Rs. 3699.90 lacks during the year. While this was Rs. 3018.99 lacks during the previous year. The investment increased by an amount of Rs. 680.91 lacks only during the year as compared to the previous year. The investment of the bank in debentures of Land Development Bank also increased and went up to Rs. 593.38 lacks from an amount of Rs. 391.89 lacks of last year. The bank invested an amount of Rs. 201.49 lacks in addition to the figure of last year. The position of other trustee securities also improved as it increased to Rs. 1801.16 against a total of Rs. 1624.16 lacks of last year. The bank raised its investment by Rs. 177 lacks over the last year. As far as the question of shares on cooperatives and other institutions is concerned, the table shows a slight

improvement as compared to last year. The figure moved to Rs. 41.81 lacks from a figure of Rs. 40.81 lacks of last year. There was only an improvement of one lack in comparison to the last year. During the year 1982-83, the bank invested an amount of Rs. 6348.62 lacks as a whole. It is revealed from the table that the bank improved its position than that of previous year as the bank invested only Rs. 6136.25 lacks last year. There was an improvement of Rs. 212.37 lacks as compared to the previous year. The investment of the bank in Central and State Government, securities increased to Rs. 3899.52 lacks during the year while it was Rs. 3699.90 lacks only during the previous year. The bank raised an amount of Rs. 199.62 lacks over the last year. The investment of the bank in debentures in Land Development Banks also increased as it reached Rs. 640.49 lacks from a figure of Rs. 593.38 lacks of last year. The bank improved the performance by Rs. 47.11 lacks over the previous year. However, the bank could not improve the position of investment in other trustee securities as revealed from the table that investment of the bank in other trustee securities during the year reduced to Rs. 1759.30 lacks. There was a down

fall of Rs. 41.86 lacks as compared to the previous year as the investment of the bank in the same during the last year was Rs. 1801.16 lacks. As far as the question of investment in shares of cooperatives and other institutions is concerned, the bank also raised the investment in the same as it reached Rs. 49.31 lacks from a balance of Rs. 41.81 lacks of last year. There seems an improvement of Rs. 7.5 lacks over the balance of last year. The bank again raised its total investment to the tune of Rs. 6887.20 lacks during the year 1983-84 while the same was Rs. 6348.62 lacks during the last year. The investment of the bank in Central and State Government, securities increased to Rs. 4099.53 lacks as against a figure of Rs. 3899.52 lacks of last year. There is an increase of Rs. 200.10 lacks over the total of last year. As the table indicates there was a development of Rs. 100 lacks on debentures of Land Development Banks. The balance of investment increased to Rs. 740.49 lacks as against a balance of Rs. 640.49 lacks for the same during last year. The investment of the bank in other trustee securities increased to Rs. 1982.77 lacks as against a previous balance of Rs. 1759.30 lacks. This figure improved by an amount of

of Rs. 223.47 lacks as compared to the previous years. The table indicates that the investment of the bank in shares of cooperative and other institutions also increased and it reached to Rs. 64.41 lacks during the year while it was Rs. 49.31 lacks during the previous year. The bank further increased its investment to the tune of Rs. 7885.13 lacks during the year 1984-85. There seems an improvement of Rs. 997.93 lacks as compared to the last year as it was Rs. 6887.20 lacks last year. The investment of the bank in Central and State Government securities moved to Rs. 4501.10 lacks during the year against a balance of Rs. 4099.53 lacks of last year. There seems a Development of Rs. 401.57 lacks over the last year. However, the investment in debentures of Land Development Banks decreased and it came down to Rs. 670.65 lacks against an amount of Rs. 740.49 lacks of last year. There was a down fall of Rs. 69.84 lacks in comparison to the last year. On the other hand, the investment in other trustee securities improved. Resultantly, it rose to Rs. 2653.47 lacks during the period from an amount of Rs. 1982.77 lacks of previous year. As far as the question of investment in shares of cooperatives and other institutions is concerned

it decreased to Rs. 59.91 lacks while it was 64.41 lacks during the previous year. There was a down fall of Rs. 4.5 lacks as compared to the last year. The investment of the bank increased during the year 1985-86 and it reached the tune of Rs. 8624.93 lacks against a total investment of Rs. 7885.13 lacks of the previous year. It shows that the bank improved its investment by a sum of Rs. 739.80 lacks as compared previously. This improved figure includes the various investments of the bank. The total position has been discussed in the following lines. The bank invested an amount of Rs. 4927.14 lacks in Central and State Government securities during the year. While it was Rs. 4501.10 lacks during previous year. There was an improvement of Rs. 426.04 lacks over the investment of last year. However, the investment of the bank in debentures of Land Development Banks decreased to Rs. 617.42 lacks against the investment of Rs. 670.65 lacks of last year. There was a down fall of Rs. 53.23 lacks as compared to the last year. The bank raised its investment in other trustee securities to Rs. 3020.46 lacks against an amount of Rs. 2653.47 lacks of the last year. However, the position of investment in shares

of cooperative and other institutions remained the same as in the previous year. The table indicates that the investment of the bank further improved as it was Rs.9799.63 lacks during the year 1986-87. This figure increased by Rs. 1174.70 lacks compared to the last year as this figure was Rs. 8624.93 lacks last year. The investment of the bank in Central and State Government securities increased to Rs. 5479.16 lacks during the year. The investment in debentures of Land Development banks decreased to Rs. 572.41 lacks from an amount of Rs. 617.42 lacks. The bank invested Rs. 3703.15 lacks in other trustee this year. It was higher by an amount of Rs. 682.69 lacks than previous year as it was only Rs. 3020.46 lacks during the previous year. However, on the other hand, the investment of the bank in shares of cooperatives and other institutions come down to Rs. 44.9 lacks during the year as against a balance of Rs. 59.91 lacks of previous year. There was a down fall of Rs. 15.00 lacks as compared to the last year. During the year 1987-88, the bank raised its investment further and it reached the amount of Rs. 11558.69 lacks during the period as against an amount of Rs. 9799.63 lacks of the previous year. The bank improved

its performance by Rs. 1759.06 lakhs than previous year. The table shows that the investment of the bank in Central and State Government securities increased further to Rs. 5979.22 lakhs as compared to the previous year. There was an improvement of about Rs. 500.06 lakhs as it was Rs. 5479.16 lakhs only in the previous year. As far as the question of investment in debentures in Land Development Bank and shares of cooperatives and other institutions is concerned, neither it improved nor decreased but remained the same as in the previous year. However, the investment in other trustee securities increased and reached Rs. 4962.15 lakhs during the period while it was Rs. 3703.15 lakhs during the last year. There was an increase of Rs. 1259.00 lakhs as compared to the previous year.

During the year 1988-89 the investment of the bank improved by an amount of Rs. 2174.87 lakhs as compared to the amount of previous year. The bank invested an amount of Rs. 4014.93 lakhs in addition to the amount of investment of last year during the year 1989-90 as the bank invested Rs. 17748.49 lakhs in different types of securities and institutions during the year. It is evident from the table that



the invests position of the bank is sound. The next Chapter deals with the loan operations of the Uttar Pradesh State Cooperative Bank, Limited, Lucknow.

## C H A P T E R - V

### LOAN OPERATION OF THE U.P.STATE COOPERATIVE BANK LIMITED, LUCKNOW

It has been pointed out in the previous chapter that the sources of raising working capital of the bank are share capital, deposits, borrowings, reserves and government grants. Besides, these sources, the bank also receives amount from entrance fees and transfer fees etc. Out of these resources, the bank provides the short-term and medium-term finances to the Cooperative Credit institutions in U.P. on the following terms and conditions as laid down in the bye-laws of the Bank and its amendments and changes made from time to time.

- 1) The bank advances loan to members of the bank only, but it can also advance loan to non-members under special circumstances with the prior permission of authority for the purpose on the basis of their securities.
- 2) Loan is granted from time to time on fixed terms and conditions. Such loan is recovered in instalments keeping in view the refund capacity of the person and objects of the loan. No instalments are fixed for the loans given on cash credit and the recovery of the loan is made on the basis decided at the time of advancement of the loan.

- 3) In case the market value of the pledged securities and goods comes down than on the basis of value fixed by the Board of Directors from time to time the bank can press for the refund in full or part of the loan in a definite period. If such debtor does not fulfill such demand, the bank after realizing part of the loan after selling such pledged securities or goods can realize the remaining loan with interest. If the loan of the bank is not recovered by the amount realized by such sale then the debtor is responsible for the balance. If the amount exceeds from the amount of the loan the balanced amount is paid to the debtor.
- 4) The rate of interest is charged from the debtor on advances and overdrafts on rules decided from time to time by the Board of Directors of bank.
- 5) After the stipulated time 3 per cent extra interest can be charged on the balance amount of loans. The refund of the interest is half yearly.

- 6) The loan paid to the affiliated societies is in the ratio to the share paid off by them decided by the Board of Directors from time to time.
- 7) The list of the loans due on such societies whose representatives are Directors, is placed in the annual general meetings of the body for information and necessary action.

#### Short-term Loans:

The short-term loans are given for the following purposes:

- i) Cultivation Expenses
- ii) Expenses for Domestic purposes
- iii) Payment of instalment (Kist) or rent
- iv) Holding of produce for a better market
- v) Purchase of fodder of the cattle
- vi) Production and sales of animal husbandry and forest produce.

#### Medium-term Loans:

The medium-term loans are sanctioned for the following purposes:

- i) Purchase of bullocks and other livestock
- ii) Purchase of implements, machinery, carts etc for agricultural purposes
- iii) Reclamation of land
- iv) Sinking and renovating of irrigational wells, tanks and channels
- v) Bunding, enclosures and fencing and construction of farm-sheds, godown, etc.
- vi) Laying down of gardens, orchards and plantations
- vii) Purchase of machinery and equipments for animal husbandry and dairy farming
- viii) Repairs, replacements and renewals of the above said machinery and equipments.

An idea of loaning operations of Uttar Pradesh Cooperative Bank Limited, Lucknow can be had from the following pages since 1970, as revealed from the Annual Reports of Uttar Pradesh Cooperative Bank Ltd., Lucknow for respective years.

The Uttar Pradesh Cooperative Bank Limited, Lucknow sanctioned to District Cooperative Banks, Primary Cooperative Societies Cane unions and individuals an amount of Rs. 4654.30 lakhs during the year 1969-70 while it was

TABLE NO. 1

Showing the position of loan advanced by  
U.P. Cooperative Bank Ltd., Lucknow

Year	Short-term Loans	Medium-term Loans	Others Loans	Total
1968-69	3965.00	NA	5,017.12	8,982.12
1969-70	4565.00	218.25	5,086.45	9,869.70
1970-71	4834.00	NA	5,670.83	10,504.83
1971-72	4795.00	1372.02	5,406.30	11,573.32
1972-73	5881.00	179.37	7,337.82	13,398.19
1973-74	-	-	7,757.89	7,757.89
1974-75	-	-	8,726.34	8,726.34
1977-78	-	-	14,015.70	14,015.70
1978-79	-	-	16,034.06	16,034.06
1980-81	-	-	25,016.81	25,016.81
1981-82	-	-	33,712.65	33,712.65
1982-83	-	-	38,256.56	38,256.56
1983-84	-	-	42,843.02	42,843.02
1984-85	-	-	44,867.08	44,867.08
1985-86	-	-	49,301.19	49,301.19
1986-87	-	-	54,694.17	54,694.17
1987-88	-	-	59,443.26	59,443.26
1988-89	-	-	76,541.94	76,541.94
1989-90	-	-	86,773.89	86,773.89

SOURCE: Compiled by the author on the basis of data available in the Annual Reports of U.P. Cooperative Bank Ltd., Lucknow for the respective years.

Rs.5017.12 lakhs during previous year. An amount of Rs.4078.45 lakhs was sanctioned to District/Central Cooperative Banks out of above figure while a figure of Rs.3939.20 lakhs was sanctioned to these banks last year.

During the year, the District/Central Cooperative Banks were sanctioned short-term credit limit to the extent of Rs.4565.00 lakhs as against a total limit of Rs.3965.00 lakhs during 1968-69 as revealed by table No. 1.

In addition to the above, the medium-term loans of Rs.302.08 lakhs was also sanctioned by the U.P. Cooperative Bank to District/Central Cooperative Banks against withdrawals of the banks amounted to Rs.218.25 lakhs only as shown in the table referred to above.

In the closure of the year, under report the bank's outstanding both under short and medium-term loans against District/Central Cooperative Banks amounted to Rs.3438.86 lakhs and Rs.639.59 lakhs respectively as against a figure of Rs.3232.97 lakhs and Rs.706.23 lakhs at the closure of the previous year.

Low and Middle Income Group Housing Scheme:

Since February, 1964 loans under the above schemes are advanced only to those borrowers to whom the bank had advanced at least one instalment of the loans or mortgage deeds had been executed by them earlier than 7.2.1964. The important figures relating to these schemes on 30.6.70 are given below:

TABLE NO. 2

(Rs. in Lakh)

Particulars	L.I.G.H.S.*	M.I.G.H.S.**
1. Loans received from Government	324.00	121.60
2. Loans sanctioned by the Bank to the Borrowers	394.14	172.94
3. Loans actually disbursed	318.41	113.74
4. Number of applications sanctioned	6555	974
5. Number of houses completed	5174	557
6. Number of houses under construction	240	65

\* Stands for Lower Income Group Housing Scheme.

\*\* " " Middle Income Group Housing Scheme.

It is revealed from the above table No. 2 that 6555 applications were received by the U.P. Cooperative Bank for



loan against L.I.G.H.S. during the year. The bank sanctioned loan for Rs.394.14 lakhs but actual amount of loan disbursement was Rs.318.41 lakhs only. 5147 houses were completed and about 240 houses were under construction during the period. While on the other hand 944 applications were received by the bank under M.I.G.H. Scheme. The bank disbursed a sum of Rs.113.74 lakhs as against sanctioned loans for Rs.172.94 lakhs during the year. Under this scheme, a number of 557 houses were completed. However, 65 houses were under construction.

The position of Uttar Pradesh Cooperative Bank Ltd., Lucknow during the year 1971-72 was that the loans, cash credit and over drafts outstanding against Cooperative Banks, Cane unions, other cooperative institutions and individuals amounted to Rs.5406.30 lakhs at the closing of the year ended on 30 June 1972 as against Rs.5237.38 lakhs at the closing of the year ended on 30 June 1971. Of the total loans outstanding as on 30 June 1972 Rs.4259.11 were due from District/Central Cooperative Banks as compared to Rs.4,015.92 lakhs as on June 30, 1971. The District/Central Cooperative Banks were sanctioned short-term credit limit upto Rs.4795.00 lakhs for the year 1971-72 as against the total limits of Rs.4834.00 lakhs for the 1970-71.

The medium-term loan limit of Rs.1817.87 lakhs were also sanctioned to the District/Central Cooperative Banks against which the banks drew an amount of Rs. 1372.02 lakhs during the year 1971-72 as shown in table No. 1.

The bank's outstanding both under medium and short-term loans against District/Central Cooperative Banks amounted to Rs.1466.65 lakhs and Rs.2792.46 lakhs respectively as against Rs.532.11 lakhs and Rs. 3483.81 lakhs of the previous year.

The Housing Schemes implemented by the Uttar Pradesh State Cooperative Bank for Lower Income Group and as well as for Middle Group, are given below:

The bank sanctioned an amount of Rs.394.14 lakhs to the borrowers as against 6555 applications for Lower Income Group Housing Scheme. However, the actual amount disbursed to the borrowers during the year was Rs.319.01 lakhs and 5258 houses were constructed completely during the period and 129 houses were under construction as per report.

Table No. 3

Particulars	L.I.G.H.S.	M.I.G.H.S
1. Loans received from the Government	324.00	121.60
2. Loans sanctioned by the bank to the borrowers	394.14	172.94
3. Number of applications sanctioned	6555	944
4. Loans actually disbursed	319.01	114.44
5. Number of houses completed	5258	599
6. Number of houses under construction	129	25

The bank also sanctioned an amount of Rs.172.94 lakhs for middle income group House Scheme during the year as against 944 applications while the amount, which was disbursed was Rs.114.44 lakhs. The bank completed 599 houses under the scheme during the year and 25 houses were under construction.

The bank sanctioned an amount of Rs. 6904.32 lakhs as loan to District/Central Cooperative Banks, cane

unions, cooperative institutions and individuals during the year 1972-73 as against an amount of Rs.5406.30 lakhs of the previous year. An amount of Rs.4997.23 lakhs was sanctioned to District/Central Cooperative Banks out of above amount while it was Rs.4259.11 lakhs during last year.

The U.P. Cooperative Bank also sanctioned its limit upto Rs.5881.00 lakhs for short-term loan. While the same was only Rs.4795 lakhs during previous year.

The District/Central Cooperative Banks were sanctioned the limit of medium-term loan upto the extent of Rs.421.34 lakhs during the period. However, these banks used only Rs.179.37 lakhs for the purpose out of above sanctioned amount as mentioned in table No. 1.

As far as the question of total loan during the year is concerned, the short-term and medium-term loan was Rs.3453.12 lakhs and Rs.1544.11 lakhs respectively, as against a loan amounted to Rs.2792.46 lakhs and Rs.1466.65 lakhs respectively during previous year.

The Uttar Pradesh Cooperative Bank also sanctioned an amount of Rs.19.90 lakhs during the financial year to the District/Central Cooperative Banks for hand-loom, weavers and other Industrial Cooperative societies but these banks, institutions and societies used only an amount of Rs.9.16 lakhs during the period.

The bank also sanctioned a loan of Rs.149.64 lakhs for storages and Rs. 50.88 lakhs to the societies for cold storages, Rice, Dal and Oil mills during the year. The bank advanced an additional amount of Rs.245.28 lakhs to 17 District/Central Cooperative Banks also under purchase scheme of cooperative sectors.

The Uttar Pradesh State Cooperative Bank also granted loans for construction of houses during the period. A clear picture emerges from the table No. 4.

The bank sanctioned Rs.394.14 lakhs and Rs.172.94 lakhs to borrowers under Low Income Group Housing Scheme and Medium Income Group Housing Scheme respectively but the borrowers used only Rs. 319.06 and Rs.114.44 lakhs respectively. The bank completed 5260 and 599 houses under Low

Table No. 4

Particulars	L.I.G.H.S.	M.I.G.H.S.
1. Loans received from Government	324.00	121.60
2. Loans sanctioned by the Bank to the borrowers	394.14	172.94
3. Number of applications accepted by the Bank	6555	944
4. Amount of loan disbursed	319.06	114.44
5. Number of houses completed	5260	599
6. Number of houses under construction	127	25

Income Group Housing Scheme respectively, and a number of 127 and 25 houses were under construction under Low Income Group Housing Scheme and Medium Income Group Housing Scheme respectively.

The position of loans and advance during the year 1973-74 was that the banks sanctioned a total of Rs.7,324.38 lakhs as loans to District/Central Cooperative Banks, cane

unions, Cooperative Institutions and individuals as against a figure of Rs.6,904.32 lakhs of previous year. The District/Central Banks were allotted Rs.5,168.70 lakhs out of above amount of loans as against a figure of Rs.4,997.23 lakhs of last year for the same. The bank disbursed Rs. 319.06 lakhs for construction of houses under Lower Income Group Housing Scheme and Rs.114.44 lakhs under Middle Income Group Housing Scheme during the period. During the period 1974-75, the Uttar Pradesh State Cooperative Bank Limited, Lucknow disbursed a sum of Rs.8,292.83 lakhs in the shape of loans to its affiliated District/Central Cooperative Banks, Cane unions, Cooperative Institutions and other individuals. While last year it was Rs. 7,324.38 lakhs. Out of above disbursed loan, there was an amount of Rs.6,218.15 lakhs which was granted to District/Central Cooperative Banks as against an amount of Rs.5,168.70 lakhs allotted last year. However, the amount of loans disbursed for construction of houses under Lower Income Group Housing Scheme and Medium Income Group Housing Scheme was sanctioned the same as in the previous year.

The Uttar Pradesh Cooperative Bank Limited, Lucknow disbursed an amount of Rs.15,657.83 lakhs as loans and

advances to Cooperative Banks and other Institutions during the year 1978-79 while it was only Rs.13636.12 lakhs during last year. However, the sanctioned amount for Housing Scheme during year was Rs.376.23 lakhs only and it was less than the amount sanctioned for previous year as it was Rs.379.58 lakhs last year.

During the year 1980-81, the Cooperative Bank sanctioned a loan of Rs.25016.81 lakhs to District/Central Cooperative Banks, cooperative and non-cooperative sugar mills, spinning mills, Cold Storages, cooperative societies and individuals. It was increased by Rs.9358.98 lakhs as against a total of Rs.15657.83 lakhs of the year 1978-79.

An amount of Rs.33712.65 lakhs was sanctioned as loans and advances to different type of cooperative organizations during the year 1981-82 by the Uttar Pradesh Cooperative Bank as mentioned in table No. 1 . There is an improvement of Rs.8695.84 lakhs in the disbursement of loans as compared to the previous position.

The amount of loans sanctioned by the Uttar Pradesh Cooperative Bank further increased and reached to Rs.38256.56



lakhs during the year 1982-83 as revealed from table No. There seems an improvement of Rs. 4543.91 lakhs over the figure of the previous year as last year it was Rs.33712.65 lakhs.

The figure of the year 1983-84 improved as compared to the last year. It reached Rs.42843.02 lakhs from an amount of Rs.38256.56 lakhs as shown in Table No. 1 . There was an improvement of Rs.4586.46 lakhs.

The bank disbursed an amount of Rs.44867.08 lakhs to District/Central Cooperative Banks, Cooperative Institutions, Cooperative and non-cooperative sugar mills, spinning mills, cold Storages, cooperative societies and individuals during the year 1984-85 as per table No. It improved by an amount of Rs.2024.06 lakhs as against the amount of loan disbursed last year.

During the year 1985-86, the amount of loan disbursed to the Cooperative Banks and other type of Cooperative sectors was Rs.49301.19 lakhs as indicated in Table No.-1. It increased by an amount of Rs.4434.11 lakhs as compared to the amount of loan disbursed in the last year.

The Uttar Pradesh Cooperative Bank Limited, Lucknow disbursed an amount of Rs.54694.17 lakhs during the year 1986-87 to District/Central Cooperative Banks, Cooperative and non-cooperative sugar mills, spinning mills, cold storages, Cooperative Societies and individuals as against an amount of Rs.49301.19 lakhs disbursed during the previous year. The bank sanctioned a sum of Rs.5392.98 lakhs this year in addition to the amount of previous year.

The bank further raised the amount of loans disbursed during the year 1987-88 as it reached to the tune of Rs.59443.26 lakhs from an amount of Rs.54694.17 lakhs disbursed last year. The amount was provided to banks, Cooperative Institutions, Cooperative and non-cooperative sugar mills, spinning mills, cold storages, cooperative societies etc. There was an increase of Rs.4749.09 lakhs as compared to the amount sanctioned for the purpose during previous year.

The bank raised the amount of loans during the year 1988-89 as it reached to Rs.76541.94 lakhs during the period and granted for the above purposes. It increased by an amount of Rs.17098.68 lakhs over the

amount of last year. This amount further increased and reached to Rs.86,773.89 lakhs during next year i.e.1989-90. There seems an improvement of Rs. 10,231.95 lakhs as compared to the amount of previous year.

Recovery of Loans:

The recovery of loans at regular basis is an essential instrument for the development of any bank. If any bank has no regular circulation of the money invested in the business, it could not run according to the desired will.

The position of recovery of the loans sanctioned for different purposes by Uttar Pradesh Cooperative Bank Limited, Lucknow is given in the following table.No. 5.

It is revealed from the table that there was a good response for recovery of loans during the year 1980-81 as recovery was made about 95.40 per cent during the period. The total demand was for Rs.14715.38 lakhs and an amount of Rs.14038.92 lakhs was recovered by the bank. There was an outstanding balance of Rs.676.46 lakhs against demanded amount.

TABLE No. 5

Table showing the position of Recovery of Loans  
advanced by Uttar Pradesh Cooperative Bank.

(Rs. in lakhs)				
Year	₹ Demand	₹ Recovery	₹ Balance	₹ Percentage Recovery
1979-80	14715.38	14038.92	676.46	95.40
1980-81	14608.62	13713.80	894.82	93.87
1981-82	15122.56	12950.17	2172.39	85.63
1982-83	21244.16	19831.34	1412.82	93.34
1983-84	21146.20	18775.70	2370.50	88.78
1984-85	23364.32	19742.97	3621.35	84.50
1985-86	31752.37	27117.56	4634.81	85.40
1986-87	32600.80	24741.07	7859.73	75.89
1987-88	44731.65	38558.95	6172.70	86.20
1989-90	47542.63	36584.72	10957.91	76.95

SOURCE: Annual Reports of Uttar Pradesh Cooperative Bank for respective years.

The percentage of recovery of loans decreased during the next year i.e. 1980-81. It was 93.87 per cent as against the percentage of 95.40 of the previous year. The total demand was for Rs.14608.62 lakhs and bank recovered

Rs.13713.80 lakhs during the period. There was an outstanding balance of Rs.894.82 lakhs.

The table indicates that the percentage of recovery of loans decreased further to 85.63 per cent from a percentage of 93.87 during the year 1981-82. A sum of Rs. 12950.17 lakhs out of Rs. 15122.56 lakhs was recovered having an outstanding balance of Rs. 2172.39 lakhs against total demand.

The position of the bank again improved during the year 1982-83 as indicated by the table. It shows that the amount of Rs. 19831.34 lakhs was recovered out of a total demand for Rs. 21244.16 lakhs to be recovered. There seems a balance due of Rs. 1412.82 lakhs. The percentage of recovery comes to 93.34. It improved by 7.71 per cent as compared to the previous year.

It is revealed from the table that the percentage of recovery reduced to 88.78% during the year 1983-84. The total demand was for Rs. 21146.20 lakhs. The recovered amount during the period was Rs. 18775.70 lakhs. A sum of Rs. 2370.50 lakhs remained unrecovered. The percentage

of the same further reduced to 84.50 per cent during next year i.e. 1984-85. The bank recovered only an amount of Rs. 19742.97 lakhs out of total demand for Rs.23364.32 lakhs. A sum of Rs. 3621.35 lakhs was not recovered by the bank.

The position improved to some extent during the year 1985-86 as percentage rose to 85.40 percent from a percentage of 84.50 percent of the previous year. During the period, a sum of Rs. 27117.56 lakhs out of a total demand for Rs. 31752.37 lakhs was recovered from the borrowers and Rs. 4634.81 lakhs was unrecovered.

The position further decreased and came down to 75.89 per cent during the year 1986-87. The total demand during the year was Rs. 32600.80 lakhs. The total recovered amount during the period was Rs. 24741.07 lakhs and uncovered amount was Rs. 7859.73 lakhs which is so much huge amount as compared to the previous years. During the year 1987-88, the bank had a demand for Rs. 44731.65 lakhs to be recovered but it recovered only an amount of Rs. 38558.95 lakhs during the period having a balance of

## C H A P T E R - VI

### ROLE OF U.P. STATE COOPERATIVE BANK LTD., LUCKNOW IN THE DEVELOPMENT OF AGRO-BASED INDUSTRIES IN U.P.

Finance is the life blood of industry. Without adequate and assured amount of finance at reasonable rates, the development of any industry is impossible. The industry having limited financial resources could not introduce modern technology due to high involvement of funds which is essential to compete the market. The industry on the other hand, can introduce modern technology as per growing demands of age due to availability of financial resources. There are three types of financial requirements for development of any organized industry. It requires initial capital, working capital and capital for expansion and modernization. The industrial development of a country depends on the systematic supply of all these forms of capital. The channels of industrial finance are (a) Internal saving of industry (b) Direct participation of the public in industrial securities and (c) Loans and investments provided by intermediary financial institutions such as trusts and Banks. Following are the important financial institutions which are helping in the development of industries including agro-based industries in U.P.:

1. Industrial Finance Corporation of India
2. Reserve Bank of India
3. Industrial Development Bank of India
4. State Bank of India
5. Commercial Banks
6. National Small Scale Industries Corporation
7. National Cooperative Development Corporation
8. National Industrial Development Corporation
9. Agriculture Refinance Corporation
10. Khadi and Village Industries
11. State Financial Corporation
12. State Industrial Development Corporation
13. Agro-Industrial Corporation
14. Cooperative Banks
15. Other Institutions

As far as the role of U.P. State Cooperative Bank Ltd., Lucknow in the development of agro-based industries in U.P. is concerned, it can be pointed out that the bank is playing significant role for the development of these industries in U.P.



The major schemes of financial assistance extended by National Bank for Agricultural and Rural Development (NABARD) and National Cooperative Development Corporation (NCDC) through U.P. Cooperative Bank are given below:

#### Refinance Support

##### 1. Short-term Credit Facilities

###### (i) Seasonal Agricultural Operations (Crop Loans)

(a) Short-term credit limits are sanctioned to the U.P. State Cooperative Bank on behalf of central cooperative banks (CCBs) to supplement their resources for providing financial support for seasonal agricultural operations of the farmers. The financial soundness of the CCBs, realistic lending programme, own resources, submission of satisfactory compliance on inspection reports, capacity to provide non-overdue cover for borrowings, owned funds of the bank and the audit classification are some of the criteria which are taken into consideration while sanctioning credit limits.<sup>1</sup>

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1. By the courtesy of Manager, NABARD.

The drawals are allowed subject to certain disciplines so as to ensure that the utilisation of the credit facilities is need-based and that the cooperative bank is capable of handling and recycling the funds. These are:

- (i) Linking of sanction for the current year's limits to recovery performance of the bank during the preceding year i.e. level of overdues should be below 60 percent.
- (ii) Restricting drawals on the credit limits upto the non-overdue cover available.
- (iii) Linking concessional credit to the bank's own involvement of funds in short-term agricultural loans by prescribing a certain minimum portion of the SCB/CCBs total internal lendable resources to be involved in short-term agricultural lending (25 percent and 40 percent in respect of SCB/CCB respectively).
- (iv) Prescribing specified percentage of assistance to small and marginal farmers (minimum of 20 percent).

- (v) Observance of the seasonality discipline, which prescribes minimum level of recovery performance at the end of kharif and rabi seasons every year.
- (vi) Sanctioning separate credit limits for supporting production of oil seeds.
- (vii) Sanctioning separate credit limits for kharif and rabi seasons and reducing the total credit limit to the normal level after the rabi financing season.
- (viii) Insisting on the observance of all the essential features of production oriented system of lending for agriculture.

(b) Credit limits are also provided to SCB against pledge of government and other approved securities, from time to time, for financing seasonal agricultural operations.

The SCB/CCBs are required to ensure that the credit requirements of all the new and non-defaulting members of

the PACs and the small and marginal farmers having small amounts in default, are met in full, especially in the area of operations of CCBs which are not eligible for credit limits from the National Bank. In States, where number of ineligible CCBs is large, thereby causing resources constraints for the SCBs to finance such CCBs, the National Bank will be prepared to assist such SCBs by sanctioning additional limits on behalf of eligible CCBs for approved purposes. Interest rate charged on refinance for this purpose ranges from 3 per cent to 5 per cent depending upon involvement of owned funds of CCBs.

(c) Refinance Facilities for NODP/OPTP

Since April 1986, National Bank has agreed to sanction short-term credit limits to SCB on behalf of CCBs for financing cultivation of oilseeds in the districts covered under NODP/OPTP, at the same rate at which the refinance is available for SAO. Supplementary credit limits are also sanctioned, if required. Such credit limits are available even in respect of those CCBs which are otherwise ineligible because of high overdues position.<sup>1</sup>

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1. By the courtesy of Manager, NABARD.

(i) Advances against Approved Securities under Agricultural Credit Stabilisation Fund (at the Bank rate):

Short-term credit limits are sanctioned to SCBs against pledge of Government and other trustee securities representing investments in their Agricultural Credit (Stabilisation) Fund to meet their share in medium-term conversion loans. The drawals against the limit sanctioned under the head are restricted to the extent of the actual utilisation of the fund for conversion of short-term crop loans in areas affected by natural calamities.<sup>1</sup>

(ii) Marketing of Crops (July-June at the Bank Rate)

SCB is sanctioned short-term credit limits to assist co-operative marketing societies, etc. to help farmers in marketing their produce at more remunerative prices and at the same time enabling them to repay their dues to PACs so as to be eligible for fresh production loans subject to certain stipulations.

Credit limits are sanctioned upto twice the crop loans availed of by the borrowing members of the PACs.<sup>2</sup>

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1. By the courtesy of Manager, NABARD.

This facility is available provided the outstanding production loan and other dues of PACs are recovered out of the produce pledge loans and/or sale proceeds of crops marketed and remitted to PACs. The credit facility is also open to those marketing societies which combine processing activities with their regular functions to improve marketability of the produce.

For marketing of cotton and Kapas, separate credit limits are sanctioned. The operations on these limits are governed by the selective credit control directives of RBI.<sup>1</sup>

(iii) Procurement, Stocking and Distribution of Fertilisers  
(Calendar Year, at 1 per cent above the Bank Rate):

The credit requirements for procuring, stocking and wholesale distribution of chemical fertilisers are met by a consortium of the SBI group, other CBs and SCB. However, short-term credit limits are sanctioned to SCB by National Bank to cover the credit gap which the other banks are unable to meet.

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1. By the courtesy of Manager, NABARD.

The credit requirements for retail distribution of fertilisers by primary cooperative marketing societies and PACS on cash and carry basis should normally be met by SCB/CCBs from their own resources. However, in cases where the CCBs/SCBs cannot meet these requirements National Bank provides refinance to the extent of the credit gap which CCBs/SCBs cannot meet.

## 2. Medium-term Credit Facilities (Non-schematic)

### (i) Approved Agricultural Purposes (at 3 per cent below the Bank Rate)

Medium-term credit limits are sanctioned to SCB on behalf of CCBs to enable them to finance investment in approved agricultural purposes. The cooperative banks, as far as possible, are requested to formulate schemes and seek refinance under schematic lending. In cases where scheme formulation is not possible, they may claim refinance under sporadic lending. Medium-term loans could be granted for a maximum period of 7 years under the NABARD Act, but at present, they granted upto 3 years/5 years. The SCB is required to ensure that the credit requirements for investment purposes of new and non-defaulting members of the PACS

and the small and marginal farmers with small amount of defaults are met in full, especially in the areas of operation of ineligible CCBs, SCB will also have to ensure that 50 per cent of the medium-term loans issued by CCBs during a calendar year are utilised to finance small and marginal farmers.<sup>1</sup>

(ii) Conversion Loans (at 3 per cent below the Bank Rate)

Medium-term conversion loans are granted from the National Rural Credit (Stabilisation) Fund to SCB on behalf of CCBs in the event of natural calamities affecting crop yield, to enable them to repay short-term agricultural loans borrowed by them from National Bank earlier on behalf of affiliated CCBs. The conversion facility is available for area where the crop yield is declared as less than 50 per cent of the normal or standard yield due to natural calamities, and the government has allowed suspension/remission of revenue dues. Wherever crop insurance scheme is in force, loans eligible for conversion are net of insurance claims. The conversion loans are normally shared between CCB, SCB, State Government and National Bank and are generally granted

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1. By the courtesy of Manager, NABARD.



for a period of 3 years. In case of recurrence of natural calamities affecting crop yield, National Bank provides facilities for rephasing of medium-term conversion loans/ rescheduling of the loan instalments of SCB. The period of the conversion loan is extended in the event of repeated natural calamities to five years and the instalment due in the particular year of repeated calamity is deferred. The outstanding conversion loan amount is also rephased to five years.<sup>1</sup>

(iii) Purchase of Shares in the Cooperative Sugar Factories and other Processing Societies (at the Bank rate):

Credit limits to the SCBs are sanctioned on behalf of CCBs to enable them to provide medium-term loans to cultivators for purchase of shares in cooperative spinning mills, cotton ginning and pressing units, groundnut oil mills, rice mills, also in cooperative marketing societies/federations for the purpose of setting up such units. Each loan is granted for a period not exceeding 5 years.<sup>2</sup>

Project Finance Scheme for Agro-Industries

The main objective of the scheme is to encourage setting up of agro-based industries in the non-traditional

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1. By the courtesy of Manager, NABARD.

2. Ibid.

sector. The industries qualifying for refinance assistance from NABARD under the scheme shall comprise of agro-industrial projects (manufacturing of agricultural and/ plant protection equipments) agro-processing projects (processing of food, fruits, livestock as well as forest produce and agro-chemical project).

While the refinance assistance may be routed through any bank (CBs, SCBs, RRBs and LDBs), those who may benefit under the scheme include, state level corporations, such as Agro-industrial Corporations, Forest/Tribal Development Corporation etc. Khadi and Village Industries Commission (KVIC), state level cooperative societies/federation, co-operative marketing/processing/industrial societies, registered societies in the KVIC/KVIB fold, Public/Private Ltd. Cos., partnership firms and proprietary concerns:

The other important terms and conditions under the scheme are as under:<sup>1</sup>

(a) Quantum of Assistance

<u>Category</u>	<u>Borrowers</u>	<u>Quantum of assistance</u>
A	State Level Corporation/KVIC/KVIB, State	Not more than 87.5% of single or multiple

1. By the courtesy of Manager NABARD

	level cooperative societies/federation, co-op, marketing/processing and registered institutions	project cost. The outlay of a single project shall not normally be more than 300 lakhs.
B	Public/Private Ltd., Cos., partnership/proprietary concerns upto SSI category	Not more than 87.5% of the project cost.

(b) Eligible Items of Investment

The project financing (including modernization/renovation) comprises of cost of land, land and site development equipment and tools, cost of technical upgradation/technical knowhow, engineering fees, preliminary and pre-operative expanses, project formulation and consultancy fees and acquisition of transport vehicles.<sup>①</sup>

(c) Location

Units set up in places other than metropolitan centres are eligible for financial accommodation under the scheme. Organisations located in metropolitan centres

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1. By the courtesy of Manager, NABARD.

only eligible, provided units are located outside those centres.

(d) Extent of Refinance:

Refinance to banks are restricted to a maximum of 75% of their advances to a borrowing unit.<sup>1</sup>

(e) Interest Rate:

The rate of interest to banks and the ultimate borrowers under the scheme is 8 per cent and 12.5 per cent in respect of units satisfying the SSI definition on 10 per cent and 15 per cent respectively for those other than SSI.<sup>2</sup>

(f) Period of Repayment:

Loan maturity period is generally fixed at maximum 10 years which including the moratorium period of one to three years.<sup>3</sup>

The U.P. Cooperative Bank Ltd., Lucknow is providing finance to agro-based industries on the guide lines of sup-

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1. By the courtesy of Manager, U.P.Cooperative Bank Ltd., Lucknow.
  2. Ibid.
  3. Ibid.

porting organisations amended from time to time as per demands and rates of interest to be charged from the ultimate borrowers.

The position as per annual reports available regarding assistance provided by the U.P. Cooperative Bank for the development of Agro-based industries in U.P. since 1972-73 is given below:

The bank sanctioned a limit of Rs. 228.10 lacks during the year 1972-73 for providing loans to cooperative sectors out of total loans sanctioned for Rs. 6904.32 lacks during the year which was 3.30 per cent of total sanctioned amount. However, an amount of Rs. 50.88 lacks was distributed against above sanctioned limit to 13 cooperative unions to install Cold-storages, Rice, Dal and Oil Mills.

The bank further sanctioned a limit of Rs. 220.10 lacks during the next year i.e. 1973-74 for the same purpose. But only 15 cooperative unions received the loans of Rs. 69.54 lacks out of above sanctioned limit. The sanctioned limit

for agro-based industries was 3 per cent of total loan sanctioned during the period.

During 1974-75, an amount of Rs. 99.20 lakhs out of sanction limit for Rs. 214.79 lakhs was distributed to 20 cooperative unions for enlargement of rice, dal and oil mills by the bank on behalf of National Cooperative Development Corporation. The bank sanctioned a total of Rs.8292.83 lakhs in the shape of loans during the year. The above sanctioned limit for agro-based industries was 2.59 per cent of the total loan sanctioned.

The U.P. Cooperative Bank Ltd., Lucknow sanctioned a limit of Rs. 3,636.00 lakhs for 12 agro-based industries of U.P. during the year 1977-78 but these industries used only an amount of Rs. 2,681.47 lakhs against sanctioned limit for the year.

The Bank also sanctioned an amount of Rs. 259.59 lakhs to agro-based industries under National Cooperative Development Corporation (NCDC) scheme to 33 industries during the year. Over all position of Agro-based industries and loans provided by the U.P.State Cooperative Bank Ltd.,Lucknow is given in the table given below.

TABLE NO. 1

S.No.	Names of Industries	Nos. of Industries	Loans provided (Rs. in lacks)
1.	Solvent Extraction Plant	1	22.14
2.	Cold Storages	21	212.31
3.	Dal Mills	3	8.18
4.	Rice Mills	2	15.23
5.	Modernisation of Rice Mills	4	1.15
6.	Oil Mills	2	0.58
7.	Sugar Mills	12	2681.47
		45	2941.06

Source: Annual Reports of U.P. Cooperative Bank Ltd., Lucknow for the year 1978-79.

The table indicates that the bank is playing a significant role for development of agro-based industries as thirty three agro-based industries were provided financial assistance during the year. The table includes solvent

Extraction plant (1), Cold Storages (21), Dal Mills(3),  
Rice Mills (2) and Oil Mills (2).

The amount provided for agro-based industries during the year was about 21.56 per cent of total sanctioned loans of Rs. 13636.12 lacks. This percentage shows that the bank provided a huge amount for development of agro-based industries during the year.

The position regarding assistance provided for development and installation of agro-based industries during the year 1978-79 may be seen from the following tables:

TABLE NO. 2

Table showing the names of Sugar mills  
and amount provided to them during the period  
1978-79

S.No.	Name of Sugar Mills	Amount of loan (Rs. in lacks)
1	2	3
1.	Kisan Cooperative Sugar Mill Ltd., Anoopshahar	129.64
2.	Kisan Cooperative Sugar Mill Ltd., Shaikhupur, Budaun	200.31
3.	Kisan Cooperative Sugar Mill Ltd., Satha, Aligarh.	179.70



1	2	3
4.	Kisan Cooperative Sugar Mill Ltd., Sathiaun, Azamgarh	151.41
5.	Bisalpur Kisan Cooperative Sugar Mill, Bisalpur (Pilibhit)	143.47
6.	Rudra Vilas Kisan Cooperative Sugar Mill Vilaspur, Rampur	377.42
7.	Majhola Kisan Cooperative Sugar Factory Ltd., Majhola, Pilibhit	455.24
8.	Baghpat Cooperative Sugar Mills, Baghpat, Meerut	236.97
9.	Bazpur Cooperative Sugar Factory Ltd., Bazpur, Nainital	518.03
10.	U.P. State Sugar Corporation Ltd., Sakoti Unit, Tanda, Meerut	176.25
11.	U.P. State Sugar Corporation Ltd., Barabanki Unit	84.91
12.	H.R. Sugar Factory Ltd., Bareilly	9.87
13.	Nand Ganj Sihori Sugar Cooperative Ltd., Dariyapur, Raibareilly	18.25
Total		Rs. 2681.47

Source: Annual Report of U.P. Cooperative Bank Ltd.,  
Lucknow for the year 1978-79.

TABLE NO. 3

Table showing the names of industries and amount  
provided to them under NCDC Scheme during  
the year 1978-79

S.No. Name of Industries	Nos. of Industries	Amount of loans (Rs. in lacks)
1. Solvent Extraction Plant	01	19.66
2. Cold Storages	21	236.62
3. Dal Mills	05	15.46
4. Rice Mills	02	15.73
5. Modernisation of Rice Mills	04	1.27
6. Oil Mills	02	0.62
7. Ice Mill	01	0.80
8. Sugar Mills	13	2688.32
Total	49	2978.48

Source: Annual Report of U.P. Cooperative Bank Ltd.,  
Lucknow for the year 1978-79.

The bank disbursed an amount of Rs. 2681.47 lacks to 13 cooperative Sugar Mills as shown in table given on page No.183 during the period. The bank also distributed

a sum of Rs. 290.16 lacks for 36 agro-based and allied industries under the scheme of National Cooperative Development Corporation. This figure includes 1 solvent extraction plant, 21 Cold Storages, 5 Dal Mills, 2 Rice Mills, 2 Oil Mills, 1 Ice Mill and 4 Rice Mills were also sanctioned the amount of Rs. 1.27 lacks out of above amount for modernisation as shown in the table given on page No. 185.

Thus the total amount of loans provided to cooperative sugar mills and other agro-based industries comes to Rs. 2978.48 lacks which is 19.02 per cent of total loans of Rs. 15,657.83 lacks provided during the year.

A sum of Rs. 2560.00 lacks was granted to 11 Cooperative and 3 U.P. State Sugar Mills during the year 1979-80. The bank also disbursed Rs. 395.56 lacks to 47 different types of agro-based industries during the year. The detail of the same is shown in the following table:

TABLE NO. 4

S.No.	Name of the Industries	Nos of Industries	Amount of loan distributed (Rs. in lacks)
1.	Solvent Extraction Plant	01	17.20
2.	Cold Storages	25	303.33
3.	Dal Mills	06	19.80
4.	Rice Mills	05	25.90
5.	Modernisation of Rice Mills	06	1.46
6.	Oil Mills	02	1.05
7.	Ice Mill	01	0.84
8.	Vanaspati Mill	01	25.98
9.	Sugar Mills	14	2560.00
Total		61	2955.56

Source:- Annual Report of U.P. Cooperative Bank Ltd.,  
Lucknow for the year 1980-81.

The table indicates that . 47 industries are of different nature but these are totally related to agro-based industries. The industries, which are granted assistance facilities, include Dal Mills, Rice Mills, Oil Mills and

Vanaspati Mills etc. The total amount of distributed loans to agro-based industries during the year comes to Rs. 2955.56 lacks which was about 15.15 per cent of the amount of total loans disbursed during the year.

The amount of assistance provided to various agro-based industries through loans for their development is increasing regularly and the loan of an amount of Rs. 4419.65 lacks were distributed to 15 Sugar Mills during the year 1980-81.

Besides above, the bank also granted a sum of Rs. 486.63 lacks under NCDC scheme to 54 small and medium scale agro-based industries during the year.

In this way, the total loans disbursed by the bank to agro-based industries during the year 1980-81 comes to Rs. 4906.28 lacks as against an amount of total loans provided to various type of industries and other purposes for Rs. 25016.81 lacks during the year. The percentage of

loans distributed for agro-based industries out of total loans comes to 19.61 per cent.

The position of industries assisted under NCDC scheme may be seen from the following table:

TABLE NO. 5

S.No. Name of Industry	Nos. of Industries	Amount of loans (Rs. in lacks)
1. Solvant Extraction Plant	01	14.74
2. Cold Storages	25	350.57
3. Dal Mills	06	21.92
4. Rice Mills	06	32.83
5. Modernisation of Rice Mills	06	32.83
6. Ice Mills	07	6.29
7. Vanaspati Mill	01	57.51
8. Oil Mills	02	1.27
9. Sugar Mills	15	4419.65
Total	69	4906.28

Source: Annual Report of U.P. Cooperative Bank Ltd., Lucknow for the year 1980-81.

During the year 1981-82, 20 Sugar Mills were advanced loans of Rs. 5082.26 lacks for their development and as well as other types of facilities. The bank also sanctioned a loan of Rs. 897.44 lacks to 80 small and medium size of industries during the period. The total amount granted for agro-based industries during the period comes to Rs. 5979.70 lacks which is 17.73 per cent of total sanctioned amount of Rs. 33712.65 lacks during the year.

The bank granted a total loans of Rs. 38256.56 lacks for different purposes during the year 1982-83. A sum of Rs. 6591.76 lacks for sugar mills and Rs. 1228.66 lacks for small and medium size agro-based industries were sanctioned out of above amount for 20 Sugar Mills and 93 other agro-based industries which comes to Rs. 7820.42 lacks. The amount of loans sanctioned for agro-based industries is 20.44 per cent of total amount of loans.

The over all position for the year is given in the table given below:

TABLE NO. 6

S.No.	Name of Industries	Nos. of Industries	Amount of loans (Rs. in lacks)
1.	Sugar Mills	20	6591.76
2.	Cold Stores	25	464.30
3.	Dal Mills	06	26.12
4.	Solvent Extraction Plant	01	9.87
5.	Oil Mills	02	1.48
6.	Rice Mills	06	43.34
7.	Modernisation of Rice Mills	06	1.16
8.	Vanaspati Mills	N.A.	100.88
9.	Ice Mills	09	12.57
10.	Agro Servicing Centres	03	5.22
11.	For Extra Chambers in Cold Stores	04	17.63
12.	Cold Stores under World Bank Scheme	31	546.13
Total		113	7820.42

Source: Annual Report of U.P. Cooperative Bank Ltd.,  
Lucknow for the year 1982-83.



The U.P. Cooperative Bank Ltd., Lucknow sanctioned a loan of Rs. 8365.83 lacks to agro-based industries out of total loans of Rs. 42843.02 lacks during next year i.e. 1983-84. This amount was provided to 139 industries and allied Centres. The amount of sanctioned loans to these industries comes to 19.53 per cent of total amount of loans provided during the year.

The clear picture emerges from the following table:

TABLE NO. 7

S.No.	Name of Industries	Nos. of Industries	Amount of loans (Rs. in lacks)
1.	Sugar Mills	23	6801.60
2.	Cold Stores	25	515.30
3.	Dal Mills	07	31.58
4.	Solvent Extraction Plant	01	7.45
5.	Oil Mill	01	1.01
6.	Rice Mills	06	48.92
7.	Modernisation of Rice Mills	05	1.20
8.	Vanaspati Mill	01	112.48
9.	Ice Mills	12	16.47

S.No.	Name of Industries	Nos. of Industries	Amount of loan (Rs. in lacks)
10.	Agro-Servicing Centres	03	5.84
11.	Cold Stores under World Bank's scheme	55	823.98
Total		139	8365.83

Source: Annual Report of U.P. Cooperative Bank for the year 1983-84.

The table indicates that the loan was provided to 23 sugar mills, 80 Cold stores, 7 Dal Mills, 1 Solvent extraction plant, 1 Oil Mill, 6 Rice Mills, 5 Rice Mills for their modernisation, 1 Vanaspati Mill, 12 Ice Mills and 3 Agro-Servicing Centres.

The table indicates that the bank played a good role in providing the finance to agro-based industries during the period.

The bank provided a loan of Rs. 44867.08 lacks to various types of industries and other purposes during the

year 1984-85. A sum of Rs. 4698.54 out of above amount of loans was provided for agro-based industries and allied Centres.

The bank provided loans to 26 Sugar Mills of Rs. 4584.08 lacks and Rs. 114.46 lacks under NCDC scheme to 34 agro-industries. This was 18.46 per cent of total loans sanctioned during the period. The following table gives the details:

TABLE NO. 8

S.No.	Name of Industries	Nos. of Industries	Amount of loan (Rs. in lacks)
1.	Sugar Mills	26	4584.08
2.	Cold Stores	02	5.22
3.	Dal Mill	01	2.34
4.	Ice Mills	02	2.44
5.	Cold Stores under World Bank Scheme	29	104.46
Total		60	4698.54

Source: Annual Report of U.P. Cooperative Bank for the year 1984-85.

TABLE NO. 9

Table showing the details regarding names of Sugar Mills and amount of loans provided by the bank against each Mill.

S.Nos.	Name of Mills	Amount of loans provided (Rs. in lacks)
1	2	3
1.	Kisan Cooperative Mill Ltd., Anoopshahar	308.45
2.	Bisalpur Kisan Cooperative Sugar Mill, Pilibhit	142.79
3.	Kisan Cooperative Sugar Mill Ltd., Shaikhupur, Budaun	141.98
4.	Kisan Cooperative Sugar Mill Ltd., Gajrola, Hasanpur	257.66
5.	Kisan Cooperative Sugar Mill Ltd., Qayam Ganj, Farrukhabad	118.94
6.	Kisan Cooperative Sugar Mill Ltd., Nanota, Saharanpur	185.52
7.	Kisan Cooperative Sugar Mill Ltd., Satha, Aligarh	63.79
8.	Kisan Cooperative Sugar Mill Ltd., Sultanpur	67.79
9.	Kisan Cooperative Sugar Mill Ltd., Sarsavan, Saharanpur	360.95
10.	Kisan Cooperative Sugar Mill Ltd., Tilhar, Shahjahanpur	123.81
11.	Kisan Cooperative Sugar Mill Ltd., Ghosi, Azamgarh.	5.64

1	2	3
12.	Shravasti Kisan Cooperative Sugar Mills, Ltd., Nanpara, Bahraich.	74.77
13.	Nand Ganj Sihori Sugar Co. Ltd., Dariyapur, Raibareilly	81.59
14.	U.P. State Sugar Corporation Ltd., Unit Sakoti, Tanda, Meerut	263.93
15.	U.P. State Sugar Corporation Ltd., Sarabanki	74.71
16.	Nand Ganj Sihori Sugar Co. Ltd., Bazpur, Nainital	43.93
17.	Bazpur Coop. Sugar Factory Ltd., Bazpur, Nainital.	674.94
18.	Majhola Kisan Coop. Sugar Factory Ltd., Majhola, Pilibhit	552.64
19.	Kisan Cooperative Sugar Mill Ltd., Sitapur	202.05
20.	Kisan Cooperative Sugar Mill Ltd., Azamgarh.	140.98
21.	Rudravilas Kisan Cooperative Sugar Mill Ltd., Bilaspur (Rampur)	396.33
22.	Ganga Kisan Cooperative Sugar Mill Ltd., Morna (Muzaffar Nagar)	53.25
23.	Kashi Kisan Coop. Sugar Mill Ltd., Orai (Varanasi)	96.89
24.	Baghpat Coop. Sugar Factory Ltd., Meerut	0.24
25.	Kisan Cooperative Sugar Ltd., Rasfa (Balia)	49.87
26.	Suraj Kisan Cooperative Mill Ltd., Bailrayan (Lakhimpur)	100.00
Total		4584.08

Source: Annual Report of U.P. Cooperative Bank for respective year.

In this way, the bank provided 18.4 per cent amount to agro-based industries during 1984-85 for their development.

The bank advanced total loan of Rs. 49301.19 lacks during the year 1985-86 for various purposes including agro-based industries. A sum of Rs. 6307.31 lacks out of above amount had been allocated for the development of agro-based industries and this was about 12.79 per cent of total amount.

The full position of the same may be seen from the following tables:

TABLE NO. 10

Table showing the names of industries and their numbers with amount of the loans sanctioned

S.No.	Name of Industries	Nos. of Industries	Amount (Rs. in lacks)
1.	Sugar Industries/Mills	26	6090.08
2.	Cold Store	01	2.00
3.	Dal Mill	01	1.08
4.	Ice Mill	01	1.45
5.	Cold Stores under world bank scheme	31	212.70
Total		60	6307.31

Source: Annual Report of U.P. Cooperative Bank for the year 1985-86.

TABLE NO. 11

Table showing the names of the Sugar Mills and the amount sanctioned by U.P. Cooperative Bank.

S.No.	Name of Sugar Mills/Industry	Amount of loans (Rs. in lacks)
1	2	3
1.	Kisan Cooperative Sugar Mills Ltd., Anoopshahar (Bulandshahar)	95.32
2.	Bisalpur Kisan Cooperative Sugar Mills Ltd., Pilibhit	313.83
3.	Kisan Cooperative Sugar Mill Ltd., Shaikhupur, Budaun	244.44
4.	Kisan Cooperative Sugar Mill Ltd., Gajrola, Hasanpur	307.04
5.	Kisan Cooperative Sugar Mill Ltd., Nanota, Saharanpur	391.55
6.	Kisan Cooperative Sugar Mill Ltd., Qayam Ganj, Farrukhabad	199.17
7.	Kisan Cooperative Sugar Mill Ltd., Satha, Aligarh	120.39
8.	Kisan Cooperative Sugar Mill Ltd., Sarsawa, Saharanpur	443.40
9.	Kisan Cooperative Sugar Mill Ltd., Sultanpur	134.94
10.	Kisan Cooperative Sugar Mill Ltd., Tilhar, Sahajahanpur	294.49
11.	Kisan Cooperative Sugar Mill Ltd., Ghosi, Distt. Azamgarh	76.28
12.	Shravasti Kisan Cooperative Sugar Mill Ltd., Nanpara, Bahraich	219.41

1	2	3
13.	Nand Ganj Sihori Sugar Cooperative Ltd., Dariyapur, Raibareilly	139.59
14.	U.P. State Sugar Corporation Ltd., Barabanki	117.34
15.	U.P. State Sugar Corporation Ltd., Unit Sakoti, Tanda, Meerut	221.52
16.	Nand Ganj Sihari Sugar Coop. Ltd., Ghazipur	117.16
17.	Bazpur Cooperative Sugar Factory Ltd., Bazpur, Nainital	730.18
18.	Majhola Kisan Cooperative Sugar Factory Ltd., Majhola, Pilibhit	555.31
19.	Kisan Cooperative Sugar Mill Ltd., Mehmoodabad, Sitapur	356.06
20.	Kisan Cooperative Sugar Mill Ltd., Sathiaun, Azamgarh	212.99
21.	U.P. State Sugar Corporation, Bareilly	5.90
22.	Rundravilas Kisan Cooperative Sugar Mill Ltd., Bilaspur, Rampur	412.45
23.	Ganga Kisan Cooperative Sugar Mill Ltd., Morna, Muzaffar Nagar	61.53
24.	Kashi Kisan Cooperative Sugar Mill Ltd., Orai, Varanasi	42.39
25.	Kisan Cooperative Sugar Mill Ltd., Rasra, Balia	98.10
26.	Suraj Kisan Cooperative Sugar Mill Ltd., Bailrayan, Lakhimpur	179.30
Total		6090.08

Source: Annual Report of U.P. Cooperative Bank for the  
year 1985-86.



The tables given on the previous pages show that the bank provided loans to 26 cooperative sugar mills amounting to Rs. 6090.08 lacks and Rs. 217.23 lacks for other 34 agro-based industries.

In this way the bank provided a total loan of Rs. 6307.31 lacks for the development and installation of about 60 agro-based industries during the period in the state.

The U.P. Cooperative bank provided a sum of Rs. 10401.84 lacks for agro-based industries and allied servicing centres during the year 1986-87 while the total loan distributed during the year was Rs. 54694.17 lacks. The loan provided to agro-based industries was about 19.01 per cent of total loan provided by the bank for different purposes. However, it was about 12.79 per cent last year and increased about 6.22 per cent this year as compared to the previous year. The figure includes 25 sugar cooperative mills and 32 other agro-based industries including 5 sugar cooperative mills which are provided loans through Distt. Central Cooperative Banks. The over all picture is shown in the following tables:

TABLE NO. 12

Table showing the names of Sugar Industry and amount of loans provided by U.P. Cooperative Bank for working capital during the year 1986-87. -----

S.No.	Name of Industries	Amount of loan sanctioned (Rs. in lacks)
1	2	3
1.	Kisan Cooperative Sugar Mill Ltd., Anoopshahar, Bulandshahr	377.55
2.	Bisalpur Kisan Cooperative Sugar Mill, Pilibhit	544.94
3.	Kisan Cooperative Sugar Mill Ltd., Gajrola, Hasanpur	409.52
4.	Kisan Cooperative Sugar Mill, Shaikhupur, Budaun	511.50
5.	Kisan Cooperative Sugar Mill Ltd., Gayam Ganj, Farrukhabad	339.31
6.	Kisan Cooperative Sugar Mill Ltd., Nanota, Saharanpur	688.80
7.	Kisan Cooperative Sugar Mill Ltd., Satha, Aligarh.	347.62
8.	Kisan Cooperative Sugar Mill Ltd., Sarsawan, Saharanpur	574.49
9.	Kisan Cooperative Sugar Mill Ltd., Sultanpur	212.49
10.	Kisan Cooperative Sugar Mill Ltd., Tilhar, Shahjahanpur	412.98
11.	Kisan Cooperative Sugar Mill Ltd., Ghosi, Azamgarh	121.73

1	2	3
12.	Shravasti Kisan Cooperative Sugar Mill Ltd., Nanpara, Bahraich	343.88
13.	Nand Ganj Sihori Sugar Co. Ltd., Dariyapur, Raibareilly	198.07
14.	U.P. State Sugar Corporation Ltd., Unit Sakoti, Tanda	426.77
15.	U.P. State Sugar Corporation Ltd., Barabanki	161.69
16.	Nand Ganj Sihori Sugar Co. Ltd., Ghazipur	192.42
17.	Bazpur Cooperative Sugar Factory Ltd., Bazpur, Nainital	979.46
18.	Majhola Kisan Cooperative Sugar Factory, Majhola, Pilibhit	652.01
19.	Kisan Cooperative Sugar Mill Ltd., Mehmoodabad, Sitapur	380.18
20.	Kisan Cooperative Sugar Mill Ltd., Sathiaun, Azamgarh	240.90
21.	U.P. State Corporation, Bareilly	8.25
Total		8124.56

Source: Annual Report of U.P. Cooperative Bank for the year 1986-87.

TABLE NO. 13

Table showing the names of Cooperative Sugar Mills which are provided assistance by U.P. Cooperative Bank for Middle/Long term loans alongwith amount of loans during the year 1986-87.

S.No.	Name of Sugar Mills	Amount of loan sanctioned (Rs. in lacks)
1.	Rudra Vilas Kisan Cooperative Sugar Mill Ltd., Bilaspur, Rampur	371.62
2.	Kisan Cooperative Sugar Mill Ltd., Hasanpur, Gajrola, Moradabad	107.42
3.	Kisan Cooperative Sugar Mill Ltd., Mehmoodabad, Sitapur	108.70
4.	Ganga Kisan Mill Ltd., Morna, Muzaffar Nagar	66.42
Total		654.16

Source: Annual Report of U.P. Cooperative Bank for the year 1986-87

TABLE NO. 13B

Table showing the names and amount of loans provided through District/Central Cooperative Banks during the year 1986-87.

S.No.	Name of Sugar Mill	Name of the Distt. Coop. Bank	Amount of loan (Rs.in lacks)
1	2	3	4
1.	Kashi Kisan Cooperative Sugar Mill Ltd., Orai, Varanasi	Varanasi	255.53

1	2	3	4
2.	Kisan Cooperative Sugar Mill Ltd., Rasra, Balia	Balia	312.69
3.	Suraj Kisan Cooperative Sugar Mill Ltd., Bailrayan, Lakhimpur-Khiri	Lakhimpur	277.60
4.	Rudra Vilas Kisan Cooperative Mill Ltd., Bilaspur, Rampur	Rampur	339.78
Total			1185.60

Source: Annual Report of U.P. Cooperative Bank for the year 1986-87

TABLE NO. 14

Table showing the total position of agro-based industries provided loans by U.P. Cooperative Bank during the year 1986-87.

S.No.	Name of Industry	Nos. of Industries	Amount of loan disbursed (Rs. in lacks)
1.	Sugar Mills	25	9964.32
2.	Cold Store	01	2.00
3.	Dal Mill	01	5.26
4.	Rice Cum Dal Mill	01	11.76
5.	Cold Stores under World Bank Scheme	29	418.50
Total		57	10401.84

Source: Compiled by the author on the basis of data of annual report of UP Coop. Bank for the year 1986-87

It is revealed from the tables that the U.P. Cooperative Bank Ltd., Lucknow played a significant role in the development of agro based industries during the year 1986-87 and provided loans to 57 industries directly and 5 sugar mills indirectly.

The U.P. Cooperative Bank provided loan of Rs. 59443.26 lacks for various purposes during the year 1987-88 and disbursed a sum of Rs. 10153.77 lacks to agro-based industries out of above figure. These industries include 31 sugar cooperative mills including 5 such sugar mills which are provided loans through Dist. Central Cooperative Banks, 40 Cold stores and 2 Ice Mills. The amount of loan disbursed to these industries is about 17.08 per cent of total loan sanctioned during the year.

TABLE NO. 15

Table showing the names of industries and amount of loan provided by U.P. Coop. Bank during the year 1987-88

S.No. Name of Industry	Nos. of Industries	Amount of loan sanctioned (Rs. in lacks)
1. Sugar Mills	31	9871.27
2. Cold Stores	40	280.34
3. Ice Mills	02	2.16
<b>Total</b>	<b>73</b>	<b>10153.77</b>

Source: Annual Report of U.P. Cooperative Bank for the year 1987-88.

TABLE NO. 16

Table showing the name of Sugar Mills/Industries along with the sanctioned amount of loans, U.P. Cooperative Bank for working capital during the year 1987-88

S.No.	Name of Industries/Mills	Amount of loan (Rs. in lacks)
1	2	3
1.	Kisan Cooperative Sugar Mill Ltd., Anoopshahar, Bulandshahar	641.25
2.	Bisalpur Kisan Cooperative Sugar Mill Ltd., Pilibhit	596.49
3.	Kisan Cooperative Sugar Mill Ltd., Gajrola, Hasanpur	371.82
4.	Kisan Cooperative Sugar Mill Ltd., Shaikhurpur, Budaun	499.51
5.	Kisan Cooperative Sugar Mill Ltd., Qayam Ganj, Farrukhabad	276.81
6.	Kisan Cooperative Sugar Mill Ltd., Nanota, Saharanpur	666.94
7.	Kisan Cooperative Sugar Mill Ltd., Satha, Aligarh.	232.39
8.	Kisan Cooperative Sugar Mill Ltd., Sarsavan, Saharanpur	563.44
9.	Kisan Cooperative Sugar Mill Ltd., Sultanpur	116.13
10.	Kisan Cooperative Sugar Mill Ltd., Tilhar, Shahjahanpur	323.48
11.	Kisan Cooperative Sugar Mill Ltd., Ghosi, Azamgarh	218.74

1	2	3
12.	Shravasti Kisan Cooperative Sugar Mill Ltd., Nanpara, Bahraich	413.86
13.	Nand Ganj Sihori Sugar Co. Ltd., Dariyapur, Raibareilly	70.70
14.	U.P. State Sugar Corporation Ltd., Unit Sakoti, Tanda	387.52
15.	U.P. State Sugar Corporation Ltd., Barabanki	208.79
16.	Nand Ganj Sihori Sugar Co. Ltd. Ghazipur	189.34
17.	Bazpur Cooperative Sugar Factory Ltd., Bazpur, Nainital	1049.65
18.	Majhola Kisan Cooperative Sugar Factory, Pilibhit	753.62
19.	Kisan Cooperative Sugar Mill Ltd., Mehmoodabad, Sitapur	354.78
20.	Kisan Cooperative Sugar Mill Ltd., Sathiaun, Azamgarh	398.60
21.	Kisan Cooperative Sugar Mill Ltd., Powaya, Shahjahanpur	375.61
Total		8709.47

Source: Annual Report of U.P. Cooperative Bank for the year 1987-88.



TABLE NO. 17

Table showing the names of Sugar Mills/Industries along with the amount of Medium and Long Term Loans provided by U.P. Cooperative Bank during the year 1987-88.

S.No.	Name of Industry	Amount of loans (Rs. in lacks)
1.	Rudra Vilas Kisan Cooperative Sugar Mill Ltd., Bilaspur, Rampur	351.68
2.	Kisan Cooperative Sugar Mill Ltd., Hasanpur, Gajrola Hasanpur	87.67
3.	Kisan Cooperative Sugar Mill Ltd., Mehmoodabad, Sitapur	68.40
4.	Ganga Kisan Cooperative Sugar Mill Ltd., Morna, Muzaffar Nagar	54.41
5.	Kisan Cooperative Sugar Mill Ltd., Powayan	38.34
Total		600.50

Source: Annual Report of U.P. Cooperative Bank for the year 1987-88.

We can say on the basis of data given in the above tables that the U.P. Cooperative Bank provided 17.08 per cent portion of total loans for the development of agro-based Industries during the year 1987-88.

The U.P. Cooperative Bank Limited, Lucknow provided loan of Rs. 76,541.94 lacks for different purposes and a sum of Rs. 11,008.14 lacks out of above amount was for development and installation of agro-based industries and its allied servicing centres during the year 1988-89 as against an amount of Rs. 10,153.77 lacks of previous year. The amount provided to agro-based industries was 14.38 per cent of total loans provided during the year. There was an increase of Rs. 854.37 lacks over the provision of last year. The above amount was provided to 52 units including 35 sugar mills, 14 Cold storages, 01 Oil Mill, 01 Rice Mill and 01 Ice cum Dal Mill.

The over-all picture is given in the following table:

TABLE NO. 18

Table showing numbers and names of industries and amount of loan provided by U.P. Cooperative Bank during 1988-89.

S.No.	Name of Industry	Nos. of Industries	Amount of loan provided (Rs. in lacks)
1	2	3	4
1.	Sugar Mills	35	10964.10
2.	Cold Storage	14	37.62

1	2	3	4
3. Oil Mill		01	0.01
4. Rice Mill		01	0.13
5. Ice cum Dal Mill		01	6.28
Total		52	11008.14

Source: Annual Report of U.P. Cooperative Bank Ltd.,  
Lucknow for the year 1988-89

The amount of loans provided during the year 1989-90 to agro based industries by U.P. Cooperative Bank Ltd. Lucknow further increased and reached Rs. 12,550.26 lacks which has an additional share of Rs. 1542.12 lacks out of total amount of loans i.e. Rs. 86773.89 lacks which has an additional share of Rs. 1542.12 lacks over and above the amount provided for the purposes during the previous year i.e. 1988-89 and comes to 14.46 per cent of total loan provided during the year. This amount was provided to 42 sugar mills and one oil mill.

The position is shown in the following  
table:

TABLE NO. 19

Table showing the numbers and names of industries and amount of loan provided by U.P. cooperative bank ltd., Lucknow during the year 1989-90.

S.No. Name of Industry	Nos. of Industries	Amount of loan provided (Rs. in lacks)
1. Sugar Mills	42	12,550.24
2. Oil Mill	01	0.02
Total	43	12,550.26

Source: Annual Report of U.P. Cooperative Bank Limited, Lucknow for the year 1989-90.

The year wise position of loans provided by U.P. State Cooperative Bank Ltd., Lucknow is discussed in the previous pages since 1972. All the data mentioned on the previous pages shows that agro-based industries received a good response from U.P. Cooperative Bank as the finance provided by it increased year by year which greatly helped in the smooth development and as well as production of these industries through out the state.

The consolidated year wise picture of amount provided for agro-based industries, numbers of units and percentage of the loan to total loans provided by the U.P. Cooperative Bank Limited, Lucknow since 1972 is shown in the following table:

TABLE NO. 20

Table showing the position of loans provided to agro-based industries by U.P. Cooperative Bank Limited, Lucknow and as well as percentage of loan

(Rs. in Lacks)

Year	Amount of total loans	Amount of loans provided for agro-based industries	Nos. of agro-based industries which are provided the loans	Percentage of loans for agro-based industries to total loans
1	2	3	4	5
1972-73	6904.32	228.10	13	3.30
1973-74	7324.38	220.10	15	3.00
1974-75	8292.83	214.79	20	2.59
1977-78	13636.12	2941.06	45	21.56
1978-79	15657.83	2978.48	49	19.02
1979-80	19499.79	2955.56	61	15.15
1980-81	25016.81	4906.28	69	19.61

1	2	3	4	5
1981-82	33712.65	5979.70	100	17.73
1982-83	38256.56	7820.42	113	20.44
1983-84	42843.02	8365.83	139	19.53
1984-85	44867.08	4698.54	60	18.46
1985-86	49301.19	6307.31	60	12.79
1986-87	54694.17	10401.84	57	19.01
1987-88	59443.26	10153.77	73	17.08
1988-89	76541.94	11008.14	52	14.38
1989-90	86773.89	12550.26	43	14.46

Source: Compiled by the author on the basis of data given in the Annual Reports of U.P. Cooperative Bank Ltd., Lucknow for respective years.

The table indicates that the Bank has given a loan of Rs. 228.10 lacks for 13 industries out of total amount of loan of Rs. 6904.32 lacks during the year 1972-73 which was a meagre amount means only 3.30 per cent of total amount of loan provided during the period. During the next year i.e. 1973-74, the amount of loans to these industries reduced to Rs. 220.10 lacks along with percentage as it

come down to 3 per cent from 3.30 per cent in the previous year. However, Number of industries increased to 15 from 13 industries. The number of industries which were provided loans further rose to 20 instead of 15 of the previous year in the year 1974-75. The bank played a significant role in providing loans to agro-based industries during the year 1977-78 as industries increased to 45 and these industries were provided a loan of Rs. 2941.06 lacks out of a total loan of Rs. 13636.12 lacks. It was 21.56 per cent of total loan. The table shows that the bank gave more attention during the year 1978-79 for the development of these industries and sanctioned an amount of Rs. 2978.48 lacks for 49 industries against a total amount of loan of Rs. 15657.83 lacks. It was 19.02 per cent. The bank approved and distributed an amount of Rs. 2955.56 lacks for agro-based industries during the year 1979-80 for the development and installation of 61 industries against a total amount of loans for Rs. 19499.79 lacks. The percentage of loans provided for these industries to total amount of loans comes to 15.15 per cent. The table indicates that the amount of loans to these industries rose to just double amount and increased to Rs. 4906.28 lacks during the year 1980-81. It increased by

an amount of Rs. 1950.72 lacks over the amount of last year. It was 19.61 per cent. It was sanctioned for 69 agro-based industries.

The bank allocated a sum of Rs. 5979.70 lacks for the development of 100 agro-based industries during the next year i.e. 1981-82. This figure was 17.73 per cent of total loans issued by the bank during the period. There was an improvement of Rs. 1073.42 lacks as compared to the amount of loan provided for the same purposes last year. As per table, the figure of the year 1982-83 rose upto a high amount i.e. Rs. 7820.42 lacks while it was only Rs. 5979.70 lacks last year. There was an increase of Rs. 1840.72 lacks as compared to the previous year. This amount facilitates about 113 agro-based industries in whole of state. Ultimately, the percentage also rose to 20.44 per cent from 17.73 per cent. The bank advanced an amount of Rs. 8365.83 lacks for 139 agro-based industries out of amount of total loans for Rs. 42843.02 lacks distributed by the bank during the year 1983-84. It was about 19.43 per cent of total amount of loan. The bank advanced about 18.46 per cent amount i.e.



Rs. 4698.54 lacks of total allocated amount for loans during the period 1984-85. This amount was granted to 60 agro-based industries. An amount of Rs. 6307.31, 10,401.84 and Rs. 10,153.77 lacks was provided by U.P. Cooperative Bank to 60, 60 and 73 agro-based industries during the year 1985-86, 1986-87 and 1987-88 respectively. As far as the question of amount provided by the bank during the year 1988-89 and 1989-90 for the development of these industries is concerned, the bank provided Rs. 11008.14 lakhs means about 14.38 per cent amount of total amount of loan during the year 1988-89 for 52 units and Rs. 12550.26 lacks means about 14.46 per cent during the year 1989-90 for 43 industries.

On the basis of the above progress of U.P. Cooperative Bank Limited, Lucknow in regards to the finances provided for agro-based industries in U.P., it may be concluded that the U.P. Cooperative Bank Ltd., Lucknow is playing a significant role in the development of agro-based industries in U.P.

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## A P P E N D I X - A

### THE MAIN FEATURES OF THE COOPERATIVE SOCIETIES ACT 1904

- (1) Any ten persons living in the same village or town, or belonging to the same class or caste, might form a cooperative society for the encouragement of thrift and self help among the members.
- (2) The main objectives of a society was to raise funds by deposits from members and loans from non-members, Government and other cooperative societies, and to distribute the money thus obtained in loans to members or to other cooperative societies.
- (3) The organization and control of cooperative credit societies was to be under the charge of Registrar of Cooperative Credit Societies in each province.
- (4) The accounts of every society were to be audited by the Registrar or by a member of his staff free of charge.
- (5) Rural and urban societies were to have four-fifth of their members from agriculturists and non-agriculturists respectively.
- (6) The liability of members of a rural society was to be unlimited, except with special sanction by the local government.

(if)

- (7) No dividend was to be paid from the profits of a rural society. But when the reserve fund had grown beyond certain limits fixed under the bye-laws, a bonus could be distributed to the members.
  - (8) In urban societies, no dividend was payable until one quarter of the profits in a given year had been transferred to the reserve fund.
  - (9) Loan could be made only to members and usually only on personal or real security, although ornaments, the common form of savings of many peasants, could legally be accepted as security.
  - (10) Societies formed under the Act were exempted from fees payable under the Stamps, Registration and Income Tax Acts.
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